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SOVIET UNION

Republics want more say on foreign policy

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World News

Sweden's ruling party faces defeat in elections

Sweden's ruling Social Democrats, who have dominated the country's politics for almost 60 years, were set for what appeared to be clear defeat in the general election, according to an early exit poll. Figures suggested that the four non-Socialist parties seeking to form a coalition government will fall short of an overall majority. Page 18

CIA hearings start
Robert Gates, US president George Bush's choice as CIA director, faces tough questioning on the Iran-Contra affair and the BCCI scandal at confirmation hearings before the Senate Intelligence Committee. Page 18

Call for deal on hostages
Iran's foreign minister, Ali Akbar Velayati, called for all sides to co-operate with UN secretary-general Javier Perez de Cuéllar to bring the hostage affair to a speedy end. Earlier, a pro-Iranian cleric said the next step in the hostage crisis could be the release of a British captive, possibly within 24 hours. Page 6

Ukrainians reject Union
At least 50,000 people from all 25 regions of the Ukraine converged outside Kiev's cathedral to insist on immediate and complete independence for the Soviet Union's second most powerful republic. Page 2

US base referendum
President Corazón Aquino of the Philippines said she had lost hope that the country's Senate would approve a new lease for a US naval base, and she would ask the people in a referendum to allow the US to keep the base. Page 4

Bush 'not anti-Semite'
Israeli defence minister, Moshe Arens, repudiated the charge by another Israeli cabinet minister that US president George Bush was an anti-Semite, saying this was not the view of most Israelis.

Hunger striker quits
Chinese dissident Chen Ziming, sentenced to 13 years in prison for his role in the 1989 pro-democracy movement, has given up a hunger strike after his friend and fellow dissident was moved to a prison hospital for medical treatment.

Surinam elects president
Surinam, the South American republic, has ended almost four months of uncertainty over its leadership as Ronald Venetiaan, a former schoolteacher, begins a five-year term today as president. Page 4

Bangladeshi referendum
Millions of Bangladeshis defied widespread flooding to vote in a referendum to decide whether the country will restore a parliamentary form of government or retain its presidential system.

Iraq hits at US 'crime'
Iraq wants to recover the remains of Iraqi troops it claims were buried alive by US forces in the Gulf war. It has urged several international organisations to condemn what it calls this "odious crime".

Fujimori visits US
Peru's president Alberto Fujimori is visiting US president George Bush in Washington. He is expected to outline steps being taken by Peru to control human rights violations in the fight against Shining Path Maoist guerrillas. Page 4

US satellite hits snag
A $633m environmental research satellite suffered communications troubles after its release from the US space shuttle Discovery, hindering the satellite's ability to take commands for several hours. Ground engineers later solved the problem.

Business Summary

GEC may acquire Ferranti missile unit

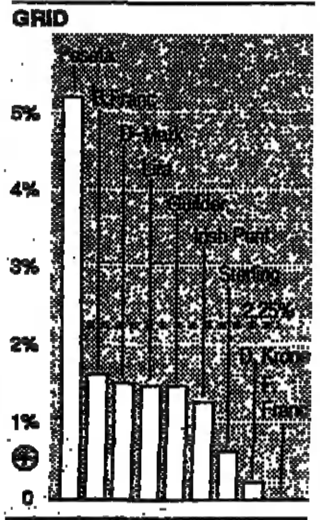
FERRANTI International of the UK is close to agreeing the transfer of its missile activities to Britain's GEC to settle a financial claim. The transfer would resolve a row over the £270m ($456m) GEC paid last year for Ferranti Defence Systems.

The deal depends on a commitment from the United Arab Emirates on the final stages of a secret contract for air-launched bombs and missiles. Page 19

EUROPEAN Monetary System: The D-Mark moved up from fifth to third strongest in the ERM grid, prompting a tightening of Belgian monetary policy. Sterling remained third weakest, but looked generally weak on adverse interest rate trends. The Spanish peseta was steady at the top of the system after the Bank of Spain left its credit policy unchanged at a money market tender on Friday. German winds of change, Page 19; Currencies, Page 29

EMS September 13, 1991

GRID



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

AUSTRIAN savings banks Osterreichische Länderbank and Zentralsparkasse have finally agreed a merger to create the country's biggest financial institution with combined assets of $40bn. Page 19

CREDIT LYONNAIS, French bank, raised $250m of capital through an issue of variable rate notes – the first such issue for nearly a year. Page 19

UNCTAD, the UN Conference on Trade and Development, forecast global output would grow only 0.7 per cent this year rising to 2.3 per cent in 1992. Unctad warns on deregulation, Page 6

S.G. WARBURG explained publicly why it did not tell US officials about a $3.5bn false Treasury auction bid made in the name of its investment management arm by Salomon Brothers. Page 19

TAURUS, much delayed settlement system for the London Stock Exchange, is unlikely to be ready for its revised target date of May 1992. Page 18

NORTHWEST Airlines' plans to operate the Washington-New York Trump Shuttle finally fell apart. A deal with the US carrier would have freed debt-laden New York investor Donald Trump from a personally guaranteed bank loan of $135m. Page 21

URUGUAY ROUND: Chief negotiators from the leading industrialised countries are more confident of a successful outcome to the talks on liberalising trade. Page 3

Nigeria hit by $200m fraud at BCCI arm

By William Keeling in London

THE Bank of Credit and Commerce International defrauded Nigeria of up to $200m between 1985 and 1987, clients and officials of the bank have said.

Executives in BCCI's London office co-ordinated a variety of frauds with the connivance of colleagues in BCCI-Nigeria working for the affiliate under a management contract.

A London-based commodity trader who traded with Nigeria and who held his account with BCCI was paid $6m to maintain his silence after incurring losses as result of fraud, according to a BCCI official.

The commodity trader, who has asked not to be named, confirmed that a payment was made to him by BCCI.

BCCI officials say the profit from the frauds, which were particularly complicated, was divided between the bank and the employees involved. One senior executive, according to a BCCI official, boasted: "All our star performers are millionaires. No other bank can claim so many millionaires under one roof."

BCCI officials estimate that the bank made an illegal profit of $150m-$200m between 1985 and 1987 but they add that the frauds were probably in operation from 1982.

The Central Bank of Nigeria said the central authorities were not aware of the issue but would be looking into its books for evidence of the fraud.

According to the commodity trader, whose company was registered in Jersey before it went into liquidation in 1988, this is how one fraud worked: BCCI would issue a letter of credit for, say, the export to Nigeria of vehicle spare parts.

The Central Bank of Nigeria could take up to six months to process letters of credit and make available foreign exchange for the payments of the parts. BCCI would ask both the Nigeria importer and the foreign exporter, without the knowledge of the other, for funds to cover interest payments on the money set aside until the foreign exchange allocation was received.

Until recently the Nigerian government, which has a virtual monopoly over foreign exchange as a result of the country's lucrative oil earnings, authorised all foreign exchange transactions.

BCCI would then approach the central bank with a request to release to BCCI in London foreign exchange to cover the letter of credit and the interest payment charged to the importer. The central bank would not be told that the

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Gates faces grilling, Page 18

Croats fear air raid on Zagreb

By Laura Silber in Belgrade and Reuter

AIR-RAID SIRENS sounded in Zagreb yesterday amid fears of an attack on the Croatian capital. Earlier federal fighter jets had attacked an important port on Croatia's Adriatic coast.

People scrambled for cover as the air alert sounded and a jet swooped low over the city. A television announcer said: "There is an air-raid alert in Zagreb. Everyone should go to shelters."

The Croatian army had earlier gone on the offensive against the Yugoslav federal forces, blockading several military barracks in the republic and capturing General Milan Aksentijevic, the deputy commander of the Fifth Army District which covers most of Croatia and Slovenia.

Croatia's counter-attack appeared to be an attempt to reverse a series of crushing setbacks suffered during the past week.

Mr Hans van den Broek, the foreign minister of the Netherlands, which holds the EC presidency, warned that "recent measures taken by Croatia will escalate the conflict and endanger the peace conference in The Hague".

At the same time, Italy and Germany appealed to the federal army to withdraw from Croatia to avoid "an all-out war". In a joint statement they said the current number of observers should be increased to 1,000 or even more if necessary.

Mr Zvonimir Separovic, the foreign minister of Croatia, yesterday threatened to withdraw Croatia from the EC peace conference by Thursday if the fighting worsened.

He said the EC could not build a "new Yugoslavia which is dead". He also criticised the EC for comparing Croatian defence measures with the aggression by Serbia and the federal army.

Zagreb radio said 15 army barracks surrendered after Croat forces blocked the delivery of food and supplies to military installations. Electricity, water and telephone lines were cut off at the weekend.

They said Croatia had seized thousands of tonnes of arms, more than 400 military personnel had surrendered and a handful of other army buildings had been taken elsewhere in Croatia.

"No barracks have been taken by force, no lives have been lost," Croatian defence minister Luka Bebic told a news conference.

The decision to cut off water and electricity to military installations came after Croatia last week stopped oil deliveries to Serbia in a move aimed at depriving the Republic of Serbia of vital fuel supplies.

The offensive by the poorly armed Croatian forces led to an immediate retaliation by the Serb-dominated federal army.

Aircraft bombed parts of Ploce, an industrial port, and the main rail-link between inland Croatia and its southern Adriatic coast.

Belgrade radio said the army assault followed an attack by Croatian forces, including the seizure of 5,000 pieces of weaponry from the naval base in Ploce.

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A Croat national guardsman races for cover across a street in Osijek yesterday

Voters favour liberals in Hong Kong elections

By Angus Foster in Hong Kong

LIBERAL Hong Kong politicians calling for more democracy and a tougher stance towards China were heading for a sizeable victory in yesterday's first direct elections to the colony's Legislative Council.

But a lower than expected turnout is likely to be used by both Britain and China as evidence that Hong Kong people remain ambivalent about a faster pace of political reform in the British colony.

The elections mark Hong Kong's first step towards partial democracy.

The United Democrats of Hong Kong, the fledgling political party led by Mr Martin Lee, and independent liberals campaigning on a similar platform, were on target to win at least 12 of the 18 seats being contested, according to opinion polls and exit polls conducted yesterday.

The rest of the 60 seats in the council have been filled by indirect election by trade and business associations or by government appointment.

The elections were well organised, there was no violence and votes appeared to be cast on the basis of candidates' track record and willingness to speak up for Hong Kong.

The liberals will form Hong Kong's first opposition political force. They will use their grassroots credentials to call for wider social issues to be addressed and to criticise the Hong Kong and Chinese governments. The council, which in the past has been little more than a rubber stamp, is expected to become more vocal and more influential.

Only one of four pro-China candidates, who have the backing of Chinese organisations in Hong Kong, stood a chance of victory, according to the opinion polls.

A total of 750,500 cast their ballots. Although this was higher than any previous district election, the figure represented only 39.5 per cent of the colony's 1.9m registered electors. The low turnout was blamed on apathy and confusion about what the elections will mean. Executive power will remain in the hands of the colonial government and a close group of advisers.

Because only a minority of the seats in the council were directly elected, the voters were in effect electing an opposition rather than a government.

Mr Michael Suen, secretary for constitutional affairs, hinted at the expected Chinese response when he said that the turnout "may be interpreted in some quarters that Hong Kong is not interested in democracy".

Mr Lee, who seemed certain of victory in the East Hong Kong Island constituency, said the turnout was "very respectable". He said 20 per cent of registered voters were no longer able to vote since they had either emigrated or moved house.

Mr Lee has been branded by

Continued on Page 18

Bull, Siemens, Olivetti plan Europe-wide network

By Alan Cane in Oplo, France

GROUPE BULL of France, Siemens of Germany and Olivetti of Italy have started work on designs for a multi-million-dollar computer network to span Europe. The intention is to provide both an information technology infrastructure for the continent and a boost for Europe's ailing computer companies.

A memorandum of understanding between the three companies was signed on August 31, and work on the detailed design has already started. The companies are anxious to persuade the European Commission, which has yet to approve or agree funding for the project, that they can work together effectively.

They are also anxious to head off attempts by other computer companies, based abroad but with a large European presence, to secure the project. These include International Business Machines, the world's largest computer manufacturer, and Electronic Data Systems, a subsidiary of General Motors.

The agreement to collaborate on a project of this scale is unprecedented among European companies although they already work together in a series of research ventures.

Mr Francis Lorentz, chief executive of Groupe Bull, told a meeting of processing professionals from the US, Europe and Japan that collaboration on the network was an example of the way European computer manufacturers would have to learn to co-operate as well as compete if they were to return to financial health.

He also hinted that within a few weeks Bull would announce collaboration with another large information technology company. However, he ruled out any suggestion of a merger or acquisition. There is speculation that the company will be from the US as 5 per cent of Groupe Bull's stock is already held by NEC of Japan.

The plan for a European computer network – essentially a system of large computers connected by telecommunications links to provide a common information highway – was originally put forward by the European Commission some years ago, but there has been little progress since then.

European manufacturers have argued that they need large computer projects both to improve their financial health and to gain experience to help them compete with large US suppliers, which regularly secure major US government contracts.

Nearly all the large European computer companies are in financial trouble because of falling sales, increased competition and the high cost of research and development.

Olivetti is marginally profitable, while Groupe Bull does not expect to return to profit until next year. Siemens Nixdorf information systems has made a greater loss than expected.

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Since taking over as chancellor of the exchequer nine months ago, Norman Lamont has been unwavering in his determination to bring down the UK's rate of inflation. "I think we will win the election, whenever it is," he says
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FT SURVEYS THIS WEEK

Japan in the UK: The similarities have begun to outweigh the differences. *(Friday's survey)*

■ TODAY:

India: Doubts surround ideas and institutions that have moulded the country since independence.

Wales: Orchestrating a new high tech image.

■ TUESDAY:

Personal Computers and Software: Leaders combine to define the future of personal computing.

■ FRIDAY:

Japan in the UK: A new and happier relationship built on mutual benefits.

■ SATURDAY:

Review of Business Books: A guide to the latest executive reading.

Lithuania warned on Polish minority

By **Christopher Bobinski** in Warsaw and **Gillian Tett** in Tallinn

RELATIONS between Lithuania and Poland could revert to the inter-war period of mistrust and hostility if Lithuania does not recognise the ethnic rights of the Polish minority, Mr Krzysztof Skubiszewski, the Polish foreign minister, said at the weekend.

Mr Skubiszewski, who yesterday postponed a scheduled visit to Vilnius, the Lithuanian capital, said he would travel once "mutual relations including *treatment of national* minorities has been drafted".

The Polish government wants Poles in Lithuania to be granted citizenship as of right and not on the basis of a loyalty declaration Vilnius is planning to demand.

The rebuff by the Polish government remains the first public criticism by another country of Lithuania's poor human rights record since its independence last month.

Meanwhile, in the neighbouring republic of Estonia, Mr James Baker, the US secretary of state, *announced* an economic aid package of $14m (£8.2m) for the Baltics. This is the first concrete western aid package to have been offered to the Baltic states.

Mr Baker, who held talks in Tallinn, the Estonian capital, with Mr *Arnold* Ruutel, the Estonian president, and Mr Edgar Savisaar, the prime minister, had agreed to review the Start, CFE and INF weapons agreements in light of the Baltic states' new status.

Mr Skubiszewski made his remarks after a Polish delegation from Warsaw last week failed to secure a firm declaration in a Lithuanian-Polish draft document that minorities either side of the border would not be forced to assimilate.

Under pressure from hardline nationalists, the Lithuanian parliament disbanded after September 4 Polish-dominated local councils in rural districts near Vilnius and Soleczniki. The Lithuanian authorities had accused the leaderships of the councils of supporting the coup against President Mikhail Gorbachev.

Desperate Croatia shifts tactics

Judy Dempsey on the Yugoslav republic's military predicament

CROATIA'S attempts at the weekend to cut off supplies to federal army barracks stationed in the republic signals the beginning of a new strategy by the beleaguered Croatian government.

But western diplomats and Croat officials believe these tactics are too late to prevent the republic from being further carved up. EC monitors added yesterday that this strategy could undermine the EC-sponsored peace conference.

At the same time, Serb paramilitary units, backed by the federal army, are moving closer towards achieving their goal: control of the Adriatic which forms the western flank of Croatia. The federal air force yesterday bombed the industrial port of Ploce.

These forces are also attempting to win control over Vukovar, and Osijek, a Croat-inhabited city in the east of the republic.

If these two goals are achieved, a swathe of territory stretching across from the eastern, central and south-western parts of Croatia will form the basis of a Greater Serbia.

"It [the federal army] is trying to crush our independence," *a former adviser to* Mr Franjo Tudjman, the president of Croatia, said yesterday.

As Serbia pushes forward, Croat officials believe the federal army is fulfilling a plan drawn up as early as spring last year.

In early 1990, Slovenia and Croatia were preparing for their first free democratic elections for over 45 years. Those elections were held against a background of calls by Croats and Slovenes for more independence from the federation.

Moves towards independence galvanised the communist federal army and administration, whose existence depended on a federal Yugoslavia.

The first step in preventing Slovenia and Croatia from asserting their independence was made on April 17 1990, when the federal army secretly ordered the transfer of all weapons held by the Territorial Defence Units (TDUs) to the local federal army barracks.

The TDUs had been set up by the late President Josip Tito *in 1968 partly to abolish the* federal army's monopoly.

Although the TDUs were financed and controlled locally, the commanders had all served in the federal army and been indoctrinated into accepting the territorial integrity of the federation.

By April 1990, the federal army feared that the TDUs in Croatia and Slovenia would evolve into republic armies and be deployed to defend the new governments which were elected in April and May *respectively*.

But when Mr Milan Kucan, the president of Slovenia, learned through a local commandant about the federal army's plans to disarm the TDUs, he ordered it to be stopped. In all, the army had managed to confiscate only 40,000 weapons held by Slovenia's TDU units.

Because the federal army failed to disarm Slovenia, Slovenes could defend themselves after their declaration of independence on June 25.

Croatia, however, faced a different situation.

Unlike Slovenia, which is almost ethnically homogenous, 12 per cent of Croatia's 4.5m population is Serb. Since the Second World War Serbs had played a prominent role in Croatia's interior, security and *defence structures*.

A Yugoslav federal army soldier helps a wounded comrade after heavy fighting with Croatian forces in the east of the republic yesterday

When the order was issued to disarm the Croatian TDUs, the Zagreb government was in no position to resist. More than 200,000 light weapons were handed into federal army barracks. Thus Croatia, when it declared independence on June 25, could not defend itself.

Moreover, the federal army did not disarm Serbs in Krajina, a region south-west of Croatia which declared autonomy *from the republic earlier* this year. The federal army also shipped weapons from Serbia across the river Danube to Serbs in eastern Slavonia.

Western diplomats in Belgrade agree that Croatia cannot defend itself against the Serb-dominated federal army and Serb paramilitary units.

They add that even if the army and Serbia carve a greater Serbia out of Croatia, this is unlikely to halt their territorial ambitions. Already, the central republic of Bosnia-Hercegovina, which also complied with the order to hand in weapons, is vulnerable.

"The only way to stop this aggression *is for the* EC to send many, many more monitors, not only to Croatia, but to Bosnia-Hercegovina," said Mr Rusmir Mahmutcehajic, deputy prime minister of Bosnia. "We will need *to* defend ourselves, otherwise we will face a terrible bloodbath," he added.

Top decision-making body due to consider Silayev's resignation request

Soviets to confront economic realities

By **Leyla Boulton** in Moscow

THE top decision-making body in what is left of the Soviet Union is expected today to grapple with tough decisions on who will manage the faltering economy and how to salvage some kind of economic union.

The State Council, bringing together President Mikhail Gorbachev and republic leaders, is due to consider a resignation request from Mr Ivan Silayev, the Russian prime minister, who wants to give up the chairmanship of the emergency committee which is running the Soviet economy.

Mr Gorbachev has nominated his associate, Mr Arkady Volsky, to replace Mr Silayev as committee chief, while republican leaders, fearing Russia is proving too assertive, may have their own ideas on who should take the job.

But many, including Mr Volsky, who is said to be a reluctant candidate, fear that without a Russian Federation official at the helm the committee could lose any power it has. This could mean the council may convince Mr Silayev to stay or appoint another official from the republic, which has become the main power in the land.

Also on the agenda will be the three blueprints for an economic union, presented by Mr Grigory Yavlinsky, the radical economist who is the committee member responsible for economic reform, Prof Stanislav *Shatalin*, and Mr Yevgeny Saburov, Russian economics minister.

Continuing debate about strategy suggests that practical problems will continue to be neglected. On Friday Mr Vladimir Raevsky, the Soviet first deputy finance minister, told the committee that the union budget deficit could come to Rbs144bn £48bn – or almost six times a planned target of Rbs27bn. If credits granted by the USSR State Bank were included, he said, the deficit could exceed Rbs200bn.

Mr Raevsky in part blamed the refusal of the Baltic republics, Georgia and Ukraine to contribute to the central budget, as well as reduced contributions by others. *But he was* sharply rebuked by Mr Silayev, who told him to find ways of cutting expenditure. Union budget revenues had been set at Rbs250.1bn for 1991, with expenditure at Rbs276.8bn.

But there is no doubt the republics themselves also have some belt-tightening to do, even if few politicians want to raise unpopular issues of this kind, let alone hammer out an austerity programme.

Mr Sergei Alexashenko, a Soviet economist who took part in drawing up Prof Shatalin's 500-day plan last year, estimates the combined deficit of republic budgets – which are separate from the Union budget – could total *Rbs120bn-Rbs125bn* this year.

Ukrainians insist on early independence

By **Chrystia Freeland** in Kiev

AT least 50,000 people from all 25 regions of the Ukraine converged outside Kiev's central cathedral yesterday to insist on immediate and complete independence for the Soviet Union's second most powerful republic.

The mood of participants in Kiev's largest demonstration this year was summed up by a placard which declared: "Nine minus One. Ukraine says no to the all-Union Treaty."

This was a reference to the agreement by Soviet leader Mikhail Gorbachev and republican leaders, signed shortly after the coup failed, to work in a loose confederation.

The meeting ended with a list of demands. Chief among them was the proposal that the Ukrainian government press for immediate international recognition, rather than wait for the result of the December 1 republican referendum to ratify the Ukrainian parliament's August declaration of independence.

Another was that all nuclear weapons in the Ukraine be dismantled under international supervision. Mr Boris Yeltsin, the Russian president, is expecting the Ukraine to hand over all its mobile nuclear missiles to Russia.

These demands signal a radicalisation of Rukh, the pro-independence mass movement which organised the meeting and increased its power in the parliament last week.

Rukh now seems prepared to oppose any form of Soviet political union.

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INTERNATIONAL NEWS

Joint ministerial meetings may be sought by EC presidency

Dutch plan to speed single-market legislation

By Andrew Hill in Amsterdam

JOINT meetings between internal market ministers and agriculture and finance ministers may be proposed by the Dutch presidency of the European Community to increase the pace of legislation essential for a barrier-free, single European market.

Speaking after a weekend's informal meeting of internal market ministers in Amsterdam, Mr Piet Dankert, the Dutch foreign affairs minister, said: "We are trying to use the internal market council a little bit as an engine to push the others at the necessary speed to meet the deadline of the end of 1992."

Internal market ministers also agreed to ask national officials to develop a single computer information system linking national customs, police, and tax authorities after 1992.

Mr Martin Bangemann, the internal market commissioner, stressed that such a system would aim to avoid imposing additional administrative burdens on EC companies, and would maintain a high level of data protection for individuals.

Most of the 69 outstanding single market measures are the responsibility of finance and agriculture ministers, but have remained low on their agendas, beneath larger and more sensitive issues such as monetary union and farm reform.

If the delays persist, the internal market ministers and the European Commission believe the efficiency of the single market may be hampered.

Internal market ministers themselves still face problems with priority issues such as the establishment of an EC trade mark office. Characteristically for the EC, this is stalled on the twin issues of its location and its working language.

Further company legislation – such as the European company statute and the fifth and tenth company law directives – could also be held up until next year.

On frontier controls, Britain and the Irish Republic still have difficulties in agreeing to any removal of controls on animal diseases such as rabies.

Mr John Redwood, the UK's junior trade minister, said after the meeting: "Everybody wants to remove as many controls on borders as possible, but each country has a list of difficult issues that may still warrant some border checks."

Mr Redwood has also proposed that internal market ministers should continue to meet regularly after 1992 to discuss possible amendment or improvement of single market legislation.

Martin Bangemann (right): promised data protection

Falling steel demand raises restructuring problems

Germany's strong private-sector industry must change before Europe can, writes **Charles Leadbeater**

THE EUROPEAN MARKET

ON a clear day from the top of the mighty Schwelgern blast furnace at Duisburg you can see half the German steel industry blast furnaces stretched out like sentinels along the Rhine.

The blackened, towering structures of Thyssen's Duisburg complex is the heart of a century-old alliance between the German steel industry and the manufacturing industries it serves. On one 12km-square site, Thyssen makes as much steel as British Steel produces from three plants. About half Thyssen's domestic customers are within 100km of the plant.

Yet, to executives at other European steel companies, the strength in depth of the German steel industry is one of the chief obstacles to the Europe-wide restructuring needed to give the industry a more stable future.

In France, Italy and the UK the industry has been rationalised largely by the state, with huge helpings of subsidy. Public ownership brought private steel producers together to create dominant national producers – Usinor Sacilor in France, British Steel, and Ilva in Italy.

In Germany, where the private market has prevailed, mergers and acquisitions have made less headway. The industry is still dominated by Thyssen and Hoesch, Krupp and Mannesmann.

There has been great change in the German industry. Senior executives at Thyssen recall joining the industry in the 1960s, when there were more than 30 German steel producers. Employment in steel fell from 344,000 in 1974 to about 170,000 this year.

But, as a senior British Steel executive says: "Germany is the heart of the European industry. It will be very difficult to get change in Europe without change in Germany."

There is still scope for rationalisation within national industries: AHV and Ensidesa, the Spanish steel groups, are discussing a merger and, in Italy, Ilva is pursuing joint ventures with private steel producers such as Falck.

However, most steel executives believe the industry will only gain stability if there are fewer producers, with greater financial balance, built on a wider European base.

Will the current downturn in steel demand promote such a restructuring, or will it usher in a round of covert state subsidy and cartelisation designed to keep the industry's nationalistic structure intact?

Pressure is building up on both sides. Senior officials at the German steel federation warn that "a new round of covert subsidies is a real threat". Executives at Ilva say the main threat is "a destruction of markets as producers go for volume with no regard for price".

The privately owned producers – Thyssen, Hoogovens, British Steel – are alarmed by the recent deal in which Crédit Lyonnais, the French state-owned bank, paid FFr2.5bn (£250m) for a 10 per cent stake in Usinor, and by Ilva's request for more funds from IRI, the state holding company.

Mr Alan Cox, chief executive of ASW, the British steel and wire producer, claims prices in continental Europe are not sustainable unless producers are being supported by state aid or subsidy no long permitted by the European Commission.

The industry is very capital-intensive, requiring huge investments over long periods. Yet it makes a commodity product which can suffer wild swings in demand.

However, it seems unlikely that this downturn will provoke a crisis to compare with that of the 1970s, when the industry continued to add capacity even though demand fell sharply after the first oil price rise in 1974.

Neither problem is so big now. Additional capacity is being created by making better use of existing plants, rather than by building new ones.

The producers are acting more swiftly to cut costs. Hoogovens plans to reduce costs by 15 per cent over the next four years and even Ilva, which is the most troubled of the big European producers, hopes to break even this year, compared with a $1.6bn (£940m) loss in the last recession.

First moves towards cross-border technical collaboration have taken place, but collaboration to encourage rationalisation is still rare.

Mr Francis Mer, chairman of Usinor Sacilor, the largest European steel group, believes the downturn will not be intense enough to force radical change. However, a set of factors will promote change in the medium run:

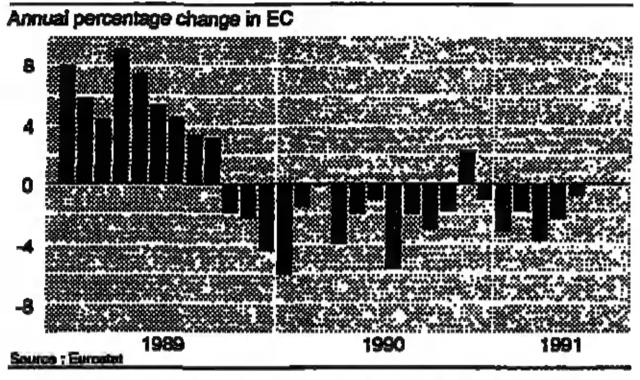
- Publicly-owned steel companies will have to seek alternative finance for investment as state subsidy becomes less of an option. Companies will have to seek alliances to share the costs of development. By the mid-1990s, more of the industry will be privatised. Mr Mer says privatisation will become an option for Usinor after the French presidential election in 1995, while Ilva has plans for at least partial privatisation that year.
- Europe will have to become more open to trade in steel. Western producers are coming under pressure from eastern European steel. Both Usinor and Ilva are developing southern European strategies linked to the development of steel industries in Turkey, Greece and, in Ilva's case, Iran and Algeria. By the end of next year, there should be a new international agreement on steel trade which will further open the EC market.
- The European car industry, one of the sector's main customers, will be shaken up in the next few years as Japanese car-makers expand their activities in the EC. This could particularly hit suppliers to car companies which have been least exposed to Japanese competition – Usinor, the main supplier to Renault and Peugeot, and Ilva, which supplies 80 per cent of Fiat's steel.
- The long products sector, which makes products such as railway tracks and construction beams, is a prime candidate for radical restructuring. Eastern European producers specialise in this area, which accounts for about 60 per cent of their production. It is also the main product made by electric arc mini-mills. This will force companies to adapt. Usinor and Arbed of Luxembourg have already formed a joint venture to market long products. Thyssen has formed a joint venture with Beltrame, the Italian mini-mill, to run its Oberhausen works.
- The EC is becoming tougher on the industry. Sir Leon Brittan, competition commissioner, has taken a strict line on state aid and alleged cartels.

However, a senior German steel executive warns: "Competition was never enough alone to rationalise the steel industry – it will need political direction as well."

As the German economy slows this year, the pressure for cross-border restructuring will grow. But the pace of change will probably be tortuously slow. As Mr Mer says: "Steel executives are not stupid but they can be very stubborn."

Iron and Steel production

Annual percentage change in EC



Source: Eurostat

Negotiators more optimistic over Uruguay Round

By Ian Davidson in Paris

CHIEF negotiators from the leading industrialised countries say they are now more confident of a successful conclusion to the Uruguay Round of trade liberalising talks.

But the weekend review by the so-called Quadrilateral Group, made up of the US, the EC, Japan and Canada, produced no breakthrough in the negotiations under the General Agreement on Tariffs and Trade (Gatt). And the US delegation made clear that it does not now expect the Uruguay Round to be completed by the year-end deadline set by the Group of Seven industrialised countries in July.

After their two-day meeting, in Angers in western France, Mrs Carla Hills, US trade representative, Mr Frans Andriessen of the European Commission, Mr Eiichi Nakao of Japan and Mr Michael Wilson of Canada all agreed they were now more hopeful than at the start of the year.

But Mrs Hills said progress in the Gatt talks would depend on reform of the EC's Common Agricultural Policy (CAP), and she did not expect this to start until next month. Thereafter, she believed, conclusion of the Uruguay Round would need a further four to six months, which would take the negotiations well into 1992.

Nevertheless, Mrs Hills' remarks were free from the combative tone which has sometimes marked her comments on EC policies.

After their meeting the four negotiators agreed that events in eastern and central Europe and the Soviet Union made a successful conclusion of the negotiations even more necessary than before.

But Mr Andriessen admitted that the emergence of new states from within the Soviet Union was creating problems for the world trading system.

Mr Andriessen, who came to the quadrilateral meeting straight from a fact-finding mission to the Soviet Union, said it was too soon to take any decisions on how much aid was required or to whom it should be provided, or whether the Soviet Union or its component republics should become full members of Gatt.

- A Japanese-EC car accord places no formal limit on how many vehicles Japanese companies can build in the Community, Mr Andriessen said on Saturday. Nor does the pact curb EC imports of Japanese cars built in the US, Reuter reports from Angers.

Promotion will leave Schäuble as Kohl's heir

By Quentin Peel in Bonn

MR Wolfgang Schäuble, the wheelchair-bound German interior minister who survived an assassination attempt last year, was confirmed this weekend in his role as the only obvious heir apparent to Chancellor Helmut Kohl in his Christian Democratic Union, the senior partner in the German coalition government.

At the same time, details of a limited cabinet and party reshuffle this autumn suggest the chancellor is facing a dearth of talent in his party at a time of growing public disenchantment.

The reshuffle will follow the promotion of Mr Schäuble from his present role to that of CDU party caucus leader in the German Bundestag, a key position in the party hierarchy.

In his place as interior minister will come Mr Rudolf Seiters, currently the minister in the Chancellor's Office, and a Kohl loyalist. He will be replaced in turn by Mr Friedrich Bohl, a 46-year-old fellow lawyer who has risen steadily up the CDU parliamentary hierarchy.

The changes will take place at the end of November.

INTERNATIONAL NEWS

Common man tilts at patrician president

George Graham runs the rule over a Democratic contender from Iowa, Senator Tom Harkin

DEMOCRATIC party contenders for the US presidential election next year have been unusually slow to put their names forward, but few of Senator Tom Harkin's supporters have been in any doubt in recent weeks that he would be in the race.

The Iowan, who was preparing yesterday to announce his intentions, rarely leaves his friends or his enemies in any doubt on where he stands.

An aggressive prairie populist – sometimes criticised as a demagogue – with strong farming and trade union constituencies, Mr Harkin proudly proclaims himself the heir of earlier left-wing Democrats such as the late Vice-President Hubert Humphrey or Mr George McGovern, the party's defeated presidential candidates in 1968 and 1972 respectively. He also claims lineage, however, from such Democratic presidents as Harry Truman and Franklin Roosevelt.

He argues that the Democrats' long losing streak in presidential elections is due to their efforts to look more like Republicans: "The Democrats must come up with a candidate who is not afraid to stand up for traditional Democratic values."

On the campaigning trail in his home state last week, the senator told his own life story as his version of the American dream: the son of a coalminer father and a Yugoslav immigrant mother, who paid his way through college with road-building jobs and an army scholarship, and who now sits next to a Rockefeller in the US Senate.

The Iowan also recounts the souring of the American dream in the greedy 1980s: the story of his brother Frank, who was sacked from his factory job after 23 years by faceless investors and ended, 54 years old and deaf, cleaning toilets at a shopping mall.

His remedy is an interventionist programme based on infrastructural investment – the sort of government construction projects that gave his father work in the great depression and helped pay for his education.

"If I am elected president, I will not be fine-tuning Reaganomics, I will put it on the trash heap of history. We will have a new economic policy called resource-based economics," he says.

He mocks the "trickle-down" policies of the Reagan era, arguing for investment at the bottom to be allowed to percolate up: "We have had some droughts in Iowa but I have never seen a drought like the one we had waiting for all that stuff to trickle down. There hasn't even been a thin drizzle – I would have settled for a heavy dew."

Mr Harkin has been heavily involved in farm legislation. In 1985 and 1987, he sponsored bills that would have turned the current subsidies system upside down by substituting rigorous supply management.

His state depends heavily on farm exports but his ties to the labour movement help to make him one of the most protectionist members of Congress.

He is weak on the specifics of his economic programme, but it is clear where the money would come from. Playing on Iowa's tradition as an isolationist and dovish state, he asks: "Do you want to continue spending $160bn of your money defending Europe against the Soviet Union, or whatever it is called now?"

Mr Harkin put down a marker last week, on the first day of the autumn Senate session, by proposing the transfer of $3.1bn from the defence budget to health, education, and low-income welfare. This was defeated, but the theme is likely to recur often in the coming year.

While seeking the Democratic nomination, Mr Harkin seems likely to embody the party's traditionalist wing against more revisionist candidates such as Governor Bill Clinton of Arkansas, who want to get away from the Democrats' tax-and-spend image, and favour a wider international role for the US.

Iowa, because its February caucuses are the first in the US election cycle, usually carries disproportionate weight in the Democratic party selection. Some party officials argue that this has often favoured candidates on the party's left wing.

However, Mr Harkin being from Iowa, the state's choice this year may have less impact. Such potential candidates as Senator Bob Kerrey from neighbouring Nebraska could do well in Iowa, but many candidates might well concede the state's delegates to Mr Harkin, especially if populous California, as Democratic officials hope, brings its primary forward to March 3, near the start of the selection cycle.

"I would have to do better here [in Iowa] than anyone ever has," he acknowledges.

Senator Harkin's self-portrait as the champion of the working man against the patrician incumbent president – whom he rarely fails to label in full as George Herbert Walker Bush – could win popular support outside his home state. His stock of sharp-edged wisecracks at the president's expense promises to enliven the campaign trail.

Tom Harkin, in front of Old Glory, flourishes a suitcase to make his point that George Bush pays too much heed to foreign affairs

Shoestring air challenge to Chile's carriers

By Leslie Crawford in Santiago

LAUNCHING an airline in these days of crowded skies and collapsing profits smacks of bad timing. Doing it without bank credits, advertising, computers or even an office telephone would appear to be downright foolhardy, if not impossible.

Mr Imad Saba, a 30-year-old Palestinian who arrived in Chile five years ago, wants to prove that it isn't.

Saba Airlines has just celebrated its third month of operations, flying from Arica in the far north of Chile to Punta Arenas in the far south, in two leased Boeing 737-200s.

Mr Saba says he is determined to break the duopoly of Lan-Chile and Ladeco, the country's long-established carriers. He has no money for advertising, but his introductory fare, half of what Lan-Chile and Ladeco charge, is tempting customers away from the main airlines. By end-July, Saba Airlines had 19.3 per cent of the domestic market.

"Believe it or not, I am already making a profit," Mr Saba said beaming. "If I fly at 52 per cent capacity, I reach my break-even point, and now my flights are three-quarters full." Looking east, beyond the Andes, Mr Saba dreams of becoming the Richard Branson of Latin America. He plans to start flying to Paraguay and Argentina next year.

Mr Saba claims Lan-Chile and Ladeco did their upmost to stop him from flying. Lan-Chile cancelled a maintainance contract at the last minute, forcing him to hire his own mechanics.

He says he had difficulties insuring his aeroplanes because his rivals spread rumours in the market that he was running a "Mickey Mouse" operation.

Banks have denied him credit, so he pays for fuel and food 15 days in advance, in cash. The Saba Airlines main office, in the northern port of Iquique, still lacks a telephone. Reservations are hand-written because Mr Saba says he cannot afford to buy computers. "The banks will not lend me a single dime," he explains.

He has sold his trading businesses in Singapore and the US to raise cash, and invested his $4m savings to get his airline off the ground.

Mr Saba appears to have won fortune and enemies in about equal measure. Soon after he had set up an electronics warehouse in the Iquique free trade zone in 1986, he incurred the wrath of his competitors by undercutting their prices by more than half.

Insurance companies have filed a civil suit, alleging arson by Mr Saba in connection with a fire that destroyed $4m of goods at one of his warehouses last year.

The launch of Saba Airlines could not have come at a worse time for Lan-Chile and Ladeco. The two traditional rivals are recovering from ill-conceived expansion plans, followed by a spate of cut-throat competition which shaved profit margins even before the Gulf crisis raised fuel prices.

Lan-Chile was rescued from bankruptcy by a crisis management team installed last year by Scandinavian Airline Systems (SAS), the company's biggest shareholder. Asset sales and cost-cutting have helped the company to recover to a $1.4m profit in the first quarter of 1991, having lost $8.4m last year.

Ladeco, in which Ibéria of Spain holds a 35 per cent share, has become a closed private company, releasing it from the obligation of publishing financial results. But pilots at Ladeco say it has shed staff to cut costs.

Lan-Chile and Ladeco buried their rivalry last month to fight the increased competition of US airlines. They are lobbying the government to press dumping charges against the bargain fares offered by US carriers on the Santiago-Miami route. They may yet make common cause to nip Saba Airlines in the bud.


Saba: High flier

Aquino wants referendum on US base

PRESIDENT Corazón Aquino of the Philippines said yesterday she had lost hope that the country's Senate would approve a new lease for a US naval base, and she would ask the people in a referendum to allow the US to keep the base, AP reports from Manila.

Twelve of the 23 senators have said they will reject a 10-year extension for Subic Bay naval base when they vote today, the day the current lease expires. Approval requires a two-thirds majority.

"I propose we take the issue directly to the people," Mrs Aquino said in a national television address.

She had said earlier that such a referendum would probably be held between mid-December and March, after the government had gathered 3m signatures to request a referendum, as required by law.

The US forces might delay their departure from the base until the referendum's results were known, though US officials have said they would withdraw as soon as possible if the Senate were to reject a new lease of the base.

Fujimori visits Bush

PRESIDENT Alberto Fujimori of Peru will be in Washington today to visit President George Bush, as allegations of growing human rights abuse in Peru threaten US anti-drug assistance there, AP reports from Lima.

Mr Fujimori is expected to outline to Mr Bush steps which Peru is taking to control human rights violations, as its army fights the Shining Path Maoist guerrillas.

These often protect cocaine traffickers in the Upper Huallaga Valley, source of much of the world's coca leaf.

Mr Fujimori is also to meet the heads of the International Monetary Fund, the Inter-American Development Bank and the World Bank during his week-long visit.

New president takes over in Surinam

MR Ronald Venetiaan, a former schoolteacher, will begin a five-year term today as president of Surinam, ending almost four months of uncertainty over the leadership of the republic on South America's north coast, writes Canute James in Kingston.

No candidate having obtained the required majority in a poll in May, Mr Venetiaan was elected a week ago by a special assembly of regional and community leaders in the former Dutch colony.

He takes office amid continuing uncertainty among Surinam's 400,000 people about the future role of the army in the country's politics.

Mr Desi Bouterse, the army strongman who led the government in 1980-87, has said the army will not interfere in politics. Other senior officers have contradicted this.

The new president's first task will be to strengthen the struggling economy, based on bauxite mining and aluminium smelting, as well as on agriculture, mainly rice and bananas. He will be under pressure to make unpopular cuts in government spending and to devalue the currency.

Nicaragua paying arrears

By Nancy Dunne in Washington

NICARAGUA is paying off the $320m in arrears of its debt to the World Bank and Inter-American Development Bank, and preparing to receive new loans from the multilateral financial institutions.

The government of President Violeta Chamorro was able to clear its arrears with contributions and credits from 17 countries and a $193m bridging loan by Colombia, Mexico, Spain and Venezuela.

The Nicaraguan embassy in Washington said the International Monetary Fund would recommend on Wednesday Nicaragua's first stand-by facility in 12 years. World Bank and IADB structural adjustment loans are expected to be approved during the week starting September 23.

The clearing of Nicaragua's arrears began in July 1990 with the first in a series of meetings in Rome with donors.

US diplomat holds hostage talks in Beirut

By Lara Marlowe in Beirut

A SENIOR US diplomat visited Beirut at the weekend for talks which included the issue of western, Arab and Israeli hostages in the Middle East, amid continuing forecasts that the liberation of a western captive in Lebanon was imminent.

Mr John Kelly, US assistant secretary of state for Middle Eastern affairs, who has a history of involvement in hostage negotiations, called on the Lebanese president, prime minister and speaker of parliament.

It is thought the next western hostage due to be freed in a complex exchange involving Lebanese Shia Moslem groups, Israel, Iran, Syria and the United Nations, will be Mr Jackie Mann, the 77-year-old Briton and former pilot.

Meanwhile Mr Farouq al-Sharaa, Syrian foreign minister, travelled to Bonn to address the question of two Lebanese brothers whose freedom is demanded by hostage-takers.

An Israeli newspaper said Mr Uri Lubrani, the chief Israeli hostage negotiator, would meet Mr Javier Pérez de Cuéllar, UN secretary-general, in Paris within a few days.

Mr Kelly's visit to Beirut on Saturday followed the departure of his Iranian counterpart, Mr Mohamed Kazem Khonsari, who was said to have visited the kidnappers as well as the same Lebanese officials called on by Mr Kelly.

US officials in Washington said the hostage issue was only one of the matters being discussed by Mr Kelly in Lebanon.

MR James Baker, US secretary of state, will today tackle an Israeli government seething with resentment against President George Bush when he arrives in Jerusalem at the start of a Middle East tour meant to smooth remaining obstacles to a regional peace conference, writes Hugh Carnegy in Jerusalem.

US-Israeli relations plummeted last week after Mr Bush's insistence on delaying until after the planned conference congressional loan guarantees worth $10bn (£5.9bn) to help fund Soviet Jewish immigration.

In cabinet yesterday, far-right ministers demanded that Mr Yitzhak Shamir, the prime minister, boycott peace talks until the guarantees are approved. Mr Rehavam Ze'evi, one of the most extreme ministers, called Mr Bush a liar and close to an anti-semite.

India seeks help to fund payments deficit

By David Housego in New Delhi

THE INDIAN government meets western donor nations and multilateral institutions in Paris this week amid uncertainty over how it will secure funds to finance this year's expected deficit on the balance of payments.

India has still to find $600m-$700m of the $3.7bn (£2.18bn) the World Bank believes it will need in emergency assistance from bilateral donor countries and the multilateral institutions to finance the current account deficit and repayments of principal on its outstanding debt.

The country is unable to borrow on the international commercial markets because of continuing fears over its creditworthiness.

India needs about $9.2bn this year in capital inflows to cover an expected current account deficit of $6bn and principal repayments of $3.2bn. Of this only $5.5bn is covered by normal aid flows, foreign investment and trade credits.

Diplomats and bankers in Delhi believe if there is insufficient confidence abroad in India's determination to carry through radical reforms, the government could be forced into even tougher import curbs to avoid the risk of a default.

Japanese free-marketeer sets reform pace

AT THE age of 78, many a distinguished Japanese industrialist would be happy to spend most of his time on the golf course. Not Mr Eiji Suzuki.

He has just spent two months doing one of the most difficult jobs of his long career – preparing plans for reforming Japan's financial markets in the wake of the recent spate of scandals in the securities and banking industries.

As chairman of a reform committee appointed by Mr Toshiki Kaifu, prime minister, Mr Suzuki had to tread a difficult path between officials at the Ministry of Finance, who fought to defend their powers, and the ministry's critics, who argued the ministry itself was in need of overhaul.

The two sides lobbied Mr Suzuki and his committee until the last moment, delaying publication of the report by half a day as clerks tried to draft a final version. The key argument concerned proposals for a watchdog organisation to take over from the Finance Ministry the inspection of securities and banking.

Reformists, including some members of Mr Suzuki's committee, insisted the new body should be independent, like the US Securities and Exchange Commission. But ministry officials said the watchdog should be incorporated inside the Ministry of Finance.

The committee has settled on a compromise – a watchdog which will be separate from the ministry but reporting to the finance minister. To be called the Securities and Financial Inspection Commission, it will have investigative powers over financial companies and investors and the power to confiscate documents.

But it will not have the right to impose punishments; that will stay with the finance minister. The minister will nominate the commission's members, but will be barred from appointing present or past Finance Ministry officials.

Critics say the Finance Ministry has won and managed to keep its authority intact, since it will not lose the right to punish wrongdoers. Mr Suzuki argues he has produced a workable solution – a watchdog which "is separate from the ministry but able to communicate with it".

Looking tired from his efforts, he adds: "In Japan we have a saying that a difficult birth produces a healthy baby."

Stefan Wagstyl on the difficult course charted by Eiji Suzuki

Mr Suzuki is the former president and former chairman of Mitsubishi Kasei, the chemicals company and core member of the Mitsubishi industrial grouping. He is now the company's senior adviser.

He has held senior posts at Japanese employers organisations since 1975, including the presidency of Nikkeiren, the Japan Federation of Employers' Associations.

Mr Suzuki is a firm believer in free markets, a principle he wants to see applied more extensively in Japan's financial system. He argues that for too long the Finance Ministry has cossetted financial companies, putting promotion of the financial industry ahead of the need for open and fair regulation and investor protection.

"We need to make a liberalised market in which financial companies are free to go bankrupt," he says.

The Finance Ministry needs to set clear rules for the operation of the markets and then stand back. It should supervise at arm's length and should rely on full and frank disclosure by financial companies combined with a strong inspection system to detect wrongdoing, Mr Suzuki believes.

In this way market forces would operate more freely within a clear framework of rules. There are risks involved in giving companies more freedom but Japan has to take them, he argues. "Certainly it is dangerous. But if we go in the opposite direction [of more restrictions and more interference] we cannot create international markets in line with those in the US and the UK."

These principles are reflected in Mr Suzuki's report. The committee says it wants to create "freer, fairer and clearer" markets. As well as the establishment of the watchdog, it recommends codifying unwritten ministerial administrative customs into clear rules and regulations. It urges companies to assume a greater responsibility for regulating their own affairs – with a requirement for greater disclosure to make sure they do.

The committee also supports liberalising stock exchange commission rates to force securities companies to compete more fairly for business instead of currying favour with important customers by paying them compensation for trading losses – one of the abuses behind the current scandals.

The report says the scandals, involving compensation for losses, links between securities companies and gangsters, and banks making illegal loans, did not happen by accident. The policies of financial companies and of the Finance Ministry created conditions which allowed abuses to develop.

S Africans euphoric over peace accord signing

THE WEEKEND signing by South Africa's main political groupings of an accord aimed at curbing violence marks the beginning in earnest of the country's peace negotiations, writes Philip Gawith in Johannesburg.

The accord is by far the most significant multilateral agreement signed by the government, the African National Congress and the Inkatha Freedom party. Although violence in Transvaal townships provided a sober backdrop, the pact has been welcomed by most South Africans in euphoric terms. Archbishop Desmond Tutu described it as a "historic day, quite unparalleled in the annals of our land".

Political violence has been the single most divisive issue in South Africa over the past year. But the accord has lined up all the main protagonists on the same side, in favour of peace. The commitment to principles of liberal democracy and the nascent power sharing that the accord embraces have also given it resonance far beyond the issue of violence.

The main features of the accord are:

● A code of conduct for the police which holds them accountable to society, not the government.

● A code of conduct for political parties which commits them to upholding a climate of political tolerance.

● A network of monitoring and enforcement mechanisms, under a peace committee, to help implement the accord at grassroots level.

● Independent structures to address complaints about security force conduct.

● An independent statutory commission to investigate and expose causes of violence.

● Special courts to expedite handling of political violence cases.

● Measures to assist socio-economic reconstruction at the local level.

UN group urges rethink of approach to developing country reform

Unctad cautions on deregulation

By William Dullforce in Geneva

A STRONG challenge to current policy prescriptions encouraging developing countries to give free rein to market forces is launched today by the United Nations Conference on Trade and Development (Unctad).

In particular, in its annual report *the UN organisation* which functions as watchdog for the relationship between the industrialised and developing world warns against precipitate financial deregulation. It calls for a new look at the liberal approach to domestic financial reform advocated for developing countries by the World Bank and the International Monetary Fund (IMF).

In a special section devoted to finance, investment and savings, Unctad's economists claim that fashionable financial recipes calling for the abandonment of "financial repression" are not promoting development. They deny the existence of a global savings shortage; they deplore the tendency to introduce in developing countries an "Anglo-Saxon" banking system which gives a central role to capital markets; and they argue that government intervention in the allocation of credits is indispensable.

Separately, the Unctad report castigates the EC and the US for what it sees as a historical reversal of their liberal trade practices at a time *when developing countries* have been deregulating their trading systems.

While the report warns that failure to complete the dragging Uruguay Round trade negotiations would dash Third World hopes, it also notes that the current status of the talks promises to provide only limited benefits for developing countries.

Controversial as they may be, Unctad's economists insist their prescriptions for developing countries' financial policies are not purely iconoclastic.

Thus, Mr Kenneth Dadzie, Unctad's secretary-general, recognises that developing countries need to upgrade the quality of government intervention, if necessary through drastic reforms, and to improve their banking systems by the establishment of investment banks, while Mr Roger Lawrence, head of the team which wrote the report, stresses that the three crucial elements for promoting development remain domestic macro-economic reform, negotiated debt reduction and *growth in export earnings*.

Unctad's 1991 report is a plea for a long-term approach in Third World financial systems rather than the short-termism implicit in simplistic liberalisation recipes, Mr Lawrence says.

For the last few years the Unctad annual report has focused on the inadequacies of current programmes for reducing Third World debt. This year the emphasis has shifted. Nevertheless, the secretariat warns that the vicious circle of overindebtedness, domestic financial disorder and low economic growth persists in many developing countries.

Unctad continues to complain that the agreements reached under the plan proposed by Mr Nicholas Brady, US Treasury secretary, for reducing debts owed to commercial banks have resulted in only minor alleviation of the debt burden. It calls for more extensive relief from official debt.

While it argues that evaluation of the Brady plan agreements can only be premature, the 1991 report acknowledges *that in Mexico's case the debt* agreement has created a "climate of greater economic confidence" which has led to a return of flight capital and a sharp rise in foreign equity investment.

The report welcomes "bold proposals" from the Netherlands and the UK for relieving the debt burden of the poorest, mainly African countries. It touches a sensitive point within the developing world when it asks that the "extraordinarily large" debt forgiveness agreed by creditors for Poland and Egypt be applied to middle-income developing countries on the basis of "objective economic criteria, not political preferences".

But the thrust of the 1991 report concerns Third World finance and the efficiency of financial markets. Dismissing the premise that there is a shortage of global savings, Unctad's economists claim there is ample scope to curb military spending, that household savings have not in reality been declining and that the cost of investment goods is falling sharply thanks to rapid technical progress.

Most importantly, they argue that as long as world production potential is not being fully utilised, investment can be stepped up through increased bank lending without governments and households having first to cut their consumption, since the investment itself would create savings by generating additional income. In this context *Unctad approves a Japanese* proposal for a new $20bn (£11.8bn) allocation of Special Drawing Rights through the IMF to be linked to development finance.

Calling for closer examination of the financial policies pursued by the developing countries themselves, the Unctad report argues that the liberal approach backed by the IMF and World Bank – deregulation of interest rates, elimination of directed credit *allocation and easing* of restrictions on external finance – has not succeeded in lifting domestic savings and investment. In successful developing countries such as South Korea governments continued to intervene directly in capital markets, pursued active industrial policies and directed credits.

In particular, the Unctad economists argue that the "Anglo-Saxon" model of short-term bank lending and long-term financing through capital markets carries greater dangers for developing countries than the Japanese or German bank-based systems.

Unctad Trade and Development Report, 1991. Geneva and New York.

Unctad's economists claim there is ample scope for curbing military spending in the Third World

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

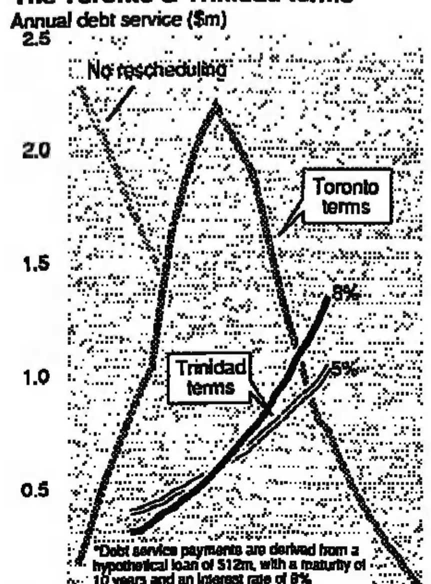
Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES					JAPAN					GERMANY				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	275.8	−136.8	−125.5	0.7891	96.9	213.8	56.7	44.1	187.03	97.9	*218.3*	*24.2*	*12.5*	*2.2367*	*100.0*
1985	279.8	−174.2	−160.5	0.7623	100.0	230.8	76.0	64.5	180.50	100.0	*242.8*	*33.3*	*21.7*	*2.2250*	*100.0*
1986	230.5	−140.8	−147.8	0.9836	80.2	211.1	96.2	86.8	165.11	124.4	*248.5*	*53.5*	*40.2*	*2.1276*	*109.8*
1987	220.2	−131.8	−138.8	1.1541	70.3	197.3	86.1	75.2	166.58	133.2	*254.2*	*56.7*	*39.8*	*2.0712*	*115.2*
1988	272.5	−100.2	−108.7	1.1833	66.0	219.6	80.7	68.5	151.61	147.3	*272.6*	*61.7*	*42.8*	*2.0739*	*114.6*
1989	330.7	−99.3	−96.5	1.1017	69.4	245.4	70.3	52.3	151.87	141.9	*310.2*	*63.0*	*52.0*	*2.0681*	*113.5*
1990	308.8	−79.8	−72.3	1.2745	65.1	219.8	50.0	28.4	183.84	120.0	324.2	51.4	37.7	2.0538	119.1
3rd qtr.1990	74.6	−21.3	−18.4	1.2990	64.1	54.3	12.7	5.4	188.36	123.7	82.1	12.4	7.2	2.0882	118.6
4th qtr.1990	74.2	−18.8	−17.1	1.3714	60.8	55.2	12.5	4.3	179.38	133.8	82.5	7.2	6.2	2.0589	120.0
1st qtr.1991	75.7	−12.6	7.6	1.3435	61.3	58.2	19.6	13.3	179.61	132.1	81.9	3.4	−4.5	2.0562	119.8
2nd qtr.1991	89.2	−11.2	2.5	1.1848	66.4	61.0	19.5	15.8	163.64	135.9	78.4	−0.3	5.3	2.0667	116.2
August 1990	24.6	−7.1	n.a.	1.3192	63.7	17.7	4.4	2.2	194.52	120.6	27.8	4.0	1.9	2.0713	119.0
September	24.5	−6.9	n.a.	1.3154	63.0	18.4	4.2	1.8	182.40	128.5	27.4	3.8	3.2	2.0555	118.7
October	25.5	−7.3	n.a.	1.3565	60.9	18.4	4.3	1.8	175.95	135.6	28.1	4.5	3.3	2.0679	119.0
November	24.2	−6.9	n.a.	1.3961	60.3	18.4	4.2	1.5	178.64	134.8	27.8	1.5	0.6	2.0583	120.8
December	24.5	−4.6	n.a.	1.3776	61.2	18.3	4.0	0.9	183.34	130.9	26.5	1.3	2.1	2.0506	120.6
January 1991	25.1	−5.4	n.a.	1.3627	61.2	18.7	5.2	2.6	182.13	131.1	28.4	0.7	−1.0	2.0562	120.2
February	24.2	−4.0	n.a.	1.3699	62.2	18.4	7.7	4.2	181.25	133.2	26.7	1.4	−0.7	2.0570	120.7
March	26.6	−3.2	n.a.	1.2778	63.9	21.2	6.6	6.3	175.44	132.0	26.9	1.3	−2.8	2.0554	118.6
April	29.5	−3.7	n.a.	1.2091	65.6	18.7	6.5	6.4	165.79	135.7	25.1	0.4	−1.2	2.0604	116.4
May	29.6	−4.0	n.a.	1.1927	66.0	20.9	5.9	4.9	164.84	135.4	27.3	−0.7	−2.2	2.0526	116.3
June	30.2	−3.5	n.a.	1.1531	67.6	21.5	7.1	4.5	160.89	136.6	28.0	−0.6	−1.8	2.0541	115.8
July			n.a.	1.1505	67.6	21.4	7.1	4.1	158.49	138.8			−2.8	2.0522	115.8

	FRANCE					ITALY					UNITED KINGDOM				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1984	123.7	−3.6	−1.1	6.8715	99.1	93.4	−13.9	−5.2	1381.5	105.9	118.9	−9.0	3.1	0.5906	100.6
1985	133.4	−4.5	−0.2	6.7941	100.0	103.7	−18.0	−5.4	1443.0	100.0	132.4	−5.7	4.7	0.5891	100.0
1986	127.1	−0.1	3.0	6.7946	102.8	99.4	−2.5	−1.4	1461.5	101.4	108.5	−14.1	−0.1	0.6706	91.5
1987	128.3	−4.5	−3.8	6.9287	103.0	100.7	−7.5	−2.1	1494.3	101.2	112.7	−15.9	−6.1	0.7047	90.1
1988	141.6	−4.6	−3.6	7.0354	100.6	105.3	−8.9	−8.0	1535.6	97.6	121.6	−31.7	−23.2	0.6643	95.5
1989	162.9	−6.4	−3.8	7.0160	99.8	127.8	−11.3	−17.0	1509.2	98.8	138.0	−35.7	−29.5	0.6728	92.6
1990	170.0	−7.3	−6.4	6.9263	104.8	133.6	−9.3	−18.9	1523.2	100.6	143.7	−25.0	−19.3	0.7150	91.3
3rd qtr.1990	41.9	−2.7	−2.7	6.9345	104.9	31.2	0.2	−2.2	1527.8	100.7	36.7	−5.4	−2.8	0.6978	94.2
4th qtr.1990	42.2	−2.4	−1.0	6.9400	105.6	35.8	−2.0	−7.7	1547.5	99.8	36.8	−4.2	−2.3	0.7050	94.1
1st qtr.1991	42.4	−1.9	−2.6	6.9940	104.3	32.4	−4.2	−8.0	1540.6	100.1	35.7	−4.0	−3.7	0.7040	93.6
2nd qtr.1991	43.2	−1.1	−1.0	6.9821	102.0	35.4	−3.4	−5.8	1525.3	98.6	37.6	−3.1	−1.3	0.6942	91.4
August 1990	14.2	−0.75	−0.41	6.9486	105.1	7.5	0.2	0.1	1528.2	101.2	12.2	−1.8	−0.94	0.6944	95.3
September	13.6	−1.37	−1.40	6.9178	105.3	10.7	−1.2	−1.2	1542.5	99.7	12.7	−1.0	−0.13	0.7002	93.8
October	14.6	−0.84	−0.42	6.9255	105.5	12.4	−1.0	−2.7	1549.3	99.4	12.6	−1.8	−0.85	0.6974	94.6
November	14.4	−0.20	0.18	6.9290	105.8	10.9	−2.4	−2.1	1547.4	99.8	12.4	−1.4	−0.76	0.7050	94.2
December	13.1	−1.34	−0.78	6.9645	105.2	12.6	1.3	−3.0	1545.8	100.1	11.8	−1.2	−0.57	0.7123	93.5
January 1991	14.5	−0.83	−0.42	6.9653	104.7	9.9	−3.2	−3.4	1545.8	100.0	11.8	−1.8	−1.70	0.7043	94.1
February	13.9	−0.48	−1.56	7.0016	104.8	11.3	−0.6	−2.6	1543.5	100.5	11.8	−1.0	−0.69	0.7071	94.3
March	14.0	−0.60	−0.65	6.9951	103.2	11.1	−0.4	−1.9	1533.1	99.8	12.1	−1.2	−1.08	0.7005	92.9
April	14.7	−0.30	−0.60	6.9606	102.4	11.4	−1.5	−2.7	1526.3	98.9	12.3	−1.2	−0.62	0.6917	92.3
May	14.2	−0.30	0.27	6.9574	102.0	11.3	−2.1	−0.8	1522.9	98.7	12.4	−1.3	−0.75	0.6926	91.7
June	14.3	−0.54	−0.63	6.9683	101.5	12.7	0.3	−2.4	1526.6	98.2	12.9	−0.5	0.03	0.6964	90.2
July	15.1	−0.61		6.9670	101.4	13.3	0.1	−2.2	1526.7	97.9	12.8	−0.8	−0.24	0.6962	90.4

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

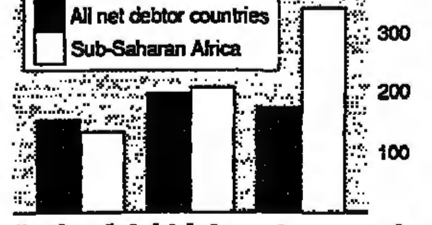
Alternative debt service : The Toronto & Trinidad terms*



*Debt service payments are derived from a hypothetical loan of $12m, with a maturity of 10 years and an interest rate of 8%

Source : United Nations Conference on Trade & Development

Ratio of external debt to exports of goods and services



Ratio of debt interest payments to exports of goods and services

UN backs debt relief for the poorest debtor nations

A BRITISH proposal that official creditors cancel two thirds of the outstanding debt of low-income debtor countries would ease the plight of many, but not all, of the poorest developing countries, according to this year's United Nations *Trade and Development Report*.

The proposal – labelled the Trinidad terms after the location of the meeting of Commonwealth finance ministers where the plan was launched a year ago – will be raised at this week's monthly meeting of the Paris Club of creditor nations.

The US and Japan were unwilling to endorse the plan at the Group of Seven industrialised countries' July's summit in London. The Japanese are unhappy over the precedent created by debt reduction, while the US is constrained by budgetary problems. But the G7 leaders did urge the Paris Club nations, which account for a third of developing country debt, to agree "additional relief measures".

The Trinidad terms would build on the existing concessions for the poorest debtor nations that were agreed at the Toronto G7 summit in 1988. The Toronto terms apply to 22 low income countries, largely from sub-Saharan Africa, that are sufficiently poor to qualify for concessional finance from the International Development Association, the World Bank's soft-loan agency.

The terms give Paris Club governments three alternatives: to cut the outstanding stock of debt by a third, to grant debt interest relief, or to offer a long rescheduling period.

The motivation for the Toronto plan was to ease the heavy burden of debt service on the poorest countries, whose debts are concentrated in the hands of governments of industrialised countries rather than commercial creditors. Heavy debt burdens are believed to inhibit economic reform and economic growth by acting as a disincentive to new investment and by diverting resources abroad to service the debts. Debt relief from the Paris Club is only granted once the country has agreed a structural adjustment programme with the IMF.

The World Bank also called in this year's World Development Report for more concessional rescheduling for the poorer debtor countries. The bar charts explain why. For all net debtor developing countries, the burden of debt as a percentage of exports has fallen since 1985. But for debtors in sub-Saharan Africa the debt-exports ratio rose by two thirds between 1985 and 1990, while the burden of interest payments has eased only marginally.

The Toronto terms are generally believed to offer debtors too little support, too slowly. The debt service paths for a standard hypothetical loan are illustrated in the chart. With no rescheduling, the debt is entirely repaid over 10 years, but the debt service payments in the early years are high. Under the Toronto terms payments start at a lower level. But because the debt service obligations are regularly rescheduled, the burden rises rapidly. The chart assumes they are rescheduled annually.

Under the Trinidad terms creditors would reschedule the entire stock of outstanding debt in one go rather than one tranche at a time. Interest payments would be capitalised for the first five years of rescheduling and the repayment period would be both extended to 25 years and tailored to the debtor's export capability. The chart shows the path of debt service when payments rise at 5 and 8 per cent a year. The effective debt reduction under the proposed Trinidad terms would equal 67 per cent of the outstanding debt compared to 20 per cent under the Toronto options.

The UN estimates that the Trinidad plan would have the biggest impact on countries such as Zaire and Senegal – which have comparatively low outstanding debts, compared to other African debtors, and which owe an above-average proportion of their debts to Paris Club governments. But for countries such as Somalia and Mozambique, with above-average debts owed largely to either commercial creditors or multilateral institutions, the burden of debt service would remain high.

The UN therefore argues that the Trinidad terms should be used as a benchmark. Those countries with high debt burdens should be granted even higher debt reductions.

Edward Balls

UK NEWS

Warning of closures on London Tube

By Richard Tomkins, Transport Correspondent

STRETCHES of the London Underground may have to close temporarily if the government fails to pump more money into the network, London Transport has warned.

LT says it may also have to shelve plans for a new Underground station to serve the Channel tunnel train terminal being built at Waterloo.

The warnings come as the Treasury weighs up competing bids for government cash in the run-up to the Autumn Statement on its public spending plans.

LT maintains that it needs to double the rate of investment in the Underground – now running at £370m a year – to reverse the deterioration of the network.

Its claims received support in June when a report from the Monopolies and Mergers Commission blamed deficiencies in Underground services on "chronic under-investment" by successive governments.

Until now LT has declined to spell out the consequences if the Department of Transport fails to provide an increase in its grant.

But senior LT executives are threatening to embarrass the government with such a list if the allocation in this year's public spending round falls short of its aspirations.

Included in the list will be:

- speed restrictions and temporary track closures caused by the failure of repairs and replacements to keep up with the rate of deterioration;
- severe disruption to services caused by deterioration of the track and by flooding from collapsing drains;
- shelving of station-modernisation plans and delays to the replacement of worn-out lifts and escalators;
- postponement or cancellation of plans to extend and renew the Underground station at Waterloo to serve passengers leaving and joining Channel tunnel trains.

Senior London Underground executives say they need to spend £5bn before the year 2000 on upgrading the existing infrastructure and a further £5bn on the construction of new lines.

The government damped hopes of a significant increase in London Transport funding earlier this month in its response to the MMC report.

Mr Roger Freeman, public transport minister, said: "It isn't reasonable to expect a quantum jump to be achieved in the short-term future. It isn't realistic."

Woman seeks to carve out forest revival

Paul Cheeseright on an attempt to transform part of the east Midlands landscape

SUSAN BELL has been charged with a mission. It is to change the landscape of the centre of England with 30m trees.

"We're not talking about wall-to-wall trees, we're talking about a wooded landscape," she says. This is the new national forest, the forest with no name, no land and no money.

"Up to now this has been something of a dream; the practicalities will be much more controversial," Ms Bell notes with the coolness of a politician at the start of a campaign. For she is now a politician, as well as a diplomat, not to mention a financier, a forestry expert, a lobbyist and an entrepreneur – whether she likes it or not.

Certainly the job of new national forest development director, Ms Bell's formal designation, is more extensive than that normally given to a planner. Town and country planning is Ms Bell's background, both in private practice and at the Country Landowners' Association. But she has a leavening of public relations experience, and that comes in handy.

Ms Bell's brief is vague: although nothing has been laid down for the forest, there are myriad individual decisions to grow trees. This is vision translation on the cheap.

Unlike Mr Paul Reichmann, who is said to have spent over £1bn in three years to realise his vision of a new office city in London's Docklands, Ms Bell has been given £350,000 a year for three years.

What happens after that depends on what she does now. Over the next six months, decisions will be taken on where the forest will be, what sources of private and public sector funding might be raised, and what sort of organisation should exist after the current development programme. Midnight oil will burn as business plans, environmental assessment and cost-benefit analysis are honed for public scrutiny.

The forest office has been set up in Donisthorpe, Leicestershire, an undistinguished village close to where Derbyshire, Leicestershire, Staffordshire and Warwickshire meet. The office is in a Victorian house surrounded by some grand trees of its own. It is in the centre of what forest people call the area of search, the area spread over parts of the four counties where the forest boundary will be set.

The office sounds more imposing than it is. There are Ms Bell and two assistants. There will be Ms Bell, three other professionals, three assistants and a one-day-a-week consultant when the forest team reaches full strength. Again, not exactly Reichmanesque in scale.

Until Ms Bell and her team know exactly where they are going and how they are going to get there, there is a hiatus.

The plan for a new forest was trumpeted last year. Since then nothing much seems to have happened. "If there's a silence, people are fearful and rumour is rife," says Ms Bell. There are fears in the farming community about what woodlands might mean to them, dark hints about forest people buying land and pushing prices up, and concern that developers will be able to do what they want provided they agree to plant a few trees.

So, notes Ms Bell, "an enormous part of the job is simply telling people what we are up to." Like the politician on the road, she spends a great deal of time talking to small groups.

One typical day this summer she was in the office before 9am, had a meeting to brief the new regional secretary of the Country Landowners' Association, whose support she needs and whose psychology she understands because once she worked for it herself.

She fielded some newspaper enquiries, did some paperwork then dashed off across Leicestershire to meet the county's Rural Development Commission committee before returning to the office for some telephoning.

Out again in the early evening to a meeting of the Ramblers' Association, whose main concern is public access, and whose main worry is about at farmers obscuring footpaths.

Ms Bell has done enough of these meetings to be well rehearsed.

She runs through the history: how the Countryside Commission had the dream in 1987, how five possible areas were selected, how the final choice was made, how the project has government backing, although "the government has made clear this is not to be a purely public-sector enterprise." She tells her audience how Mr Michael Heseltine, the environment secretary, describes himself as "an enthusiast, but a sceptic."

She explains that the area of search, some 450 square miles, will be narrowed down to the forest area of 150 square miles.

As Ms Bell answers questions, she is putting down markers and laying out principles. Above all she is trying to keep happy a number of people and groups with different interests.

"We hope we will be seen as the farmer's ally," she tells the RDC committee, while assuring the ramblers, some of whom say they have never met a nice farmer yet: "I would like the whole scheme to be geared towards public access, but that won't be achieved simply by demanding it."

The area of the Midlands where the forest will be has fewer woods than other parts, and has been scarred by mineral extraction. And there is more to come yet – "British Coal is still buying land in the area," she warns.

But she does not want the forest to be "the biggest reclamation project in the UK". Rather, it is a multi-faceted resource, and not just for locals. "We've got to have local support, but I'm very aware this is a national resource."

The forest could help economic regeneration by offering alternative land uses to hard-pressed farmers, although, Ms Bell concedes, they are sceptical.

"What is it that would actually trigger farmers and landowners putting their land to woodland?" she asks.

The forest can produce timber for commercial use. It can be like an ecological and environmental school. It will be there for recreation.

But it is doubtful whether it can do any of these things without a well funded organisation which, as well as encouraging others to plant, can plant itself and generate income from it.

Ms Bell sees the landscape as a mosaic, a recreational resource which can do other things. To craft that mosaic will take a generation.

"It is going to be a balancing act, but if we cannot accommodate everybody's interests in 150 square miles of woodlands, we will have failed."

On the stump: Susan Bell in the grounds of her office

Government to relax rules on Tec board members

By Lisa Wood, Labour Staff

GOVERNMENT rules stipulating that only senior executives or chairmen of chief executive status can sit on the boards of Training and Enterprise Councils (Tecs) are to be eased in a few cases.

Tecs which believe there are special reasons for appointing people such as personnel directors to their boards will be allowed to apply to the National Training Task Force for permission.

When Tecs were set up, Mr Michael Howard, employment secretary, said only people of chairman or chief-executive status were eligible to sit on their boards. That was because he wanted Tec board members to have clout within their own companies and among their peers.

Supporters of that view said that the influence of bodies similar to Tecs in the US had waned when the corporate status of their board members had fallen.

Some Tecs, particularly in London, have found it difficult to attract chairmen and chief executives to their boards. Heads of large companies have been unwilling to take on such responsibilities. However, they

EMPLOYMENT

are unable to volunteer their personnel directors because of the government rules. That occurred with J. Sainsbury, the food retailer.

Professional organisations, including the Institute of Personnel Management (IPM), have urged the government to reconsider.

Mr Brian Ward Lilley, director-general of the IPM, said: "To argue that the personnel director of a large company has less clout that the chief executive of a very small company does not make sense." He said he hoped that most Tecs would have at least one personnel director on their boards.

Personnel directors will not be allowed to chair Tec boards, however. Mr Howard said in a letter to Mr Eric Dancer, chairman of G10, the group of Tec chairmen who act as a link between the Tec movement and the government, that maintaining the top business leadership of Tecs was critical to their success.

Tec chairmen will therefore have to be full-time chairmen or chief executives of private-sector companies with workforces of more than 25 people and turnover of at least £5m.

Plan to reward employers

By Lisa Wood

TRAINING and Enterprise Councils will be able to reward employers running the new temporary work scheme who obtain either full-time work or qualifications for participants, according to the Department of Employment.

The department said Tecs could offer performance-related funding to providers of places on Employment Action (EA), the temporary work programme which begins in October.

Tecs, which will administer EA in most areas, will be paid a standard unit price by the government for each place. This is unlike the arrangement for Employment Training (ET), the training scheme for long-term unemployed adults, for which government funding is related to the achievement of jobs and qualifications.

The department said this disparity between government funding of the two schemes was because EA was new and therefore had no baseline upon which to set performance targets. Tecs were free to set their own criteria for EA performance targets, the department said.

The new flexibility for EA was granted to Tecs after several expressed concern on the issue.

This followed a recent national consultative meeting for Tecs organised by Full Employment UK, the policy consultancy. Several of the participants said problems could arise because in many areas providers of places for ET were also providing places for EA.

Up to 25 per cent of ET is on the basis of output-related funding, including the attainment of a job or qualifications.

Mr Peter Ashby, director of Full Employment UK, said the concern was that providers might be tempted to put those people they thought most likely to get a job on ET, not because it was the most suitable scheme for them, but because the provider could earn more from ET.

The result, he said, would be that job placements from EA would be likely to be low, with the scheme condemned as slave labour.

Size of wage rises declined towards end of pay round

By Diane Summers, Labour Staff

EMPLOYEES with pay review dates in the second half of the last pay round received lower increases than those who settled in the first half, according to an analysis published today of the months from August 1990 to July 1991.

More than three quarters of agreements which led to rises above the October 1990 peak inflation rate of 10.9 per cent were reached between August and January, according to the survey by Labour Research Department (LRD), the union-backed research group. The survey covered nearly 600 collective agreements and more than 10.5m workers.

However, only a quarter of the agreements monitored were negotiated in the first half of the pay round. LRD said pressure to reduce the level of pay settlements in early 1991 "bore most heavily on the majority of workers in over half of all agreements which are negotiated from February onwards, with April being the most important month".

Most basic pay rises during the survey period were for 9 per cent or more, although there were considerable variations as unemployment climbed and inflation rose sharply and subsequently fell.

High inflation triggered a number of significant inflation-linked agreements, providing double-figure increases in early trend-setting private sector agreements, the report pointed out. Ford workers won increases of 13.4 per cent in the second year of their two-year deal, and Vauxhall staff received 13.6 per cent, again in the second year of an agreement.

About 16 per cent of agreements in the survey were paid in more than one stage, allowing employers to reduce the immediate cost of increases. Examples included paper and paperboard (6.4 per cent rising to 8.6 per cent) and Barclays Bank (7.5 per cent rising to 9 per cent).

The government also negotiated agreements in more than one stage with National Health Service staff and teachers.

Bargaining Report Special Issue. Labour Research Department, 78 Blackfriars Road, London SE1 8HF. By subscription.

MANAGEMENT at the Nottingham plant of GPT, the telecommunications group, will meet union leaders tomorrow before a threatened strike over redundancies, writes Michael Smith, Labour Correspondent.

In ballots last week the plant's 1,800 trade union members voted overwhelmingly to stage indefinite strikes in protest against redundancy terms the company is planning to offer 400 workers. There are 3,000 employees at the plant.

Under the terms offered by the company the redundancy payments required by law will be topped up by amounts ranging from £50 a year for 16 to 25-year-olds and £150 for 56 to 65-year-olds.

Mr Dave de Lacey, plant convener, said the new terms were worth about a quarter to a third of those provided by the company earlier this year when 270 people were made redundant. In the ballots, more than 90 per cent of manual worker voters were in favour of striking and about 80 per cent of clerical staff.

UK NEWS

Tories tempted to keep option open of early poll

By Ralph Atkins

THE CHANCES of a November election have increased, cabinet ministers believe, following weekend opinion polls showing the Conservatives establishing a firm lead over Labour.

A lunch hosted yesterday by Mr Kenneth Baker, home secretary, for the prime minister was also attended by Mr John Wakeham, the energy secretary and the cabinet's "political fixer," and was almost certainly dominated by a discussion of party strategy.

Two opinion polls giving the Tories a lead of four and five percentage points have persuaded even those ministers pushing for a general election next year that a November poll is now possible.

However, ministers and Conservative Central Office are anxious to control expectations producing an unstoppable band-waggon effect. Party strategists continue to believe next year is more likely.

Mr Baker described the Tories' position as "very encouraging" but urged the prime minister to keep his options open.

Conservative morale has also been boosted by reports, which party officials refused to confirm, that the wealthy Latsis shipping family have donated a substantial sum, perhaps as much as £2m, to the party.

Labour tried to look unrattled by its decline in opinion polls, the result of an improved showing for the third-party Liberal Democrats. Party leaders and strategists were adamant that when attention refocused on domestic issues – such as the health service and education – the party would regain its lead.

Labour also complained that Mr John *Major*'s "dithering" over the election date was creating damaging uncertainty.

However, party leaders were on the defensive over the poor personal standing of Mr Neil Kinnock, Labour leader, compared with Mr Major.

"It is almost one of the features of British politics that a Labour leader, particularly one who's effective, comes under particular attack," said Mr John Smith, opposition economics spokesman.

A party political broadcast made by Mr Hugh Hudson, the film maker, on September 25 is expected to focus on Mr Kinnock in the hope of repeating the success of a similar broadcast during the 1987 election.

The Harris poll in yesterday's Observer put the Conservative's on 43 per cent, Labour on 38 per cent and the Liberal Democrats on 16. The ICM poll for the *Sunday Express* put the Tories on 41 per cent, Labour at 37 per cent and the Liberal Democrats on 17.

Think tank adds to pressure on Labour for voting reform

By Philip Stephens, Political Editor

PRESSURE on the Labour party to include abolition of the first-past-the-post voting system in its plans for constitutional reform will intensify today with the publication of a report by an influential think tank.

The left-of-centre Institute for Public Policy Research calls in its report for a fundamental shift in the balance of political power in Britain, with a written constitution replacing parliament as the ultimate source of authority.

Its call, which will be reinforced at a conference in London later this week, coincides with moves in the Labour party to ensure that the debate on electoral reform is a central part of its conference in Brighton next month.

With Mr Neil Kinnock, the Labour leader, again trailing in the opinion polls, advocates among his senior colleagues of a move to embrace proportional representation are confident that their case can no longer be brushed aside. Mr Robin Cook, the shadow health spokesman, has already claimed that a commitment to electoral reform by Labour is now only a matter of time.

The institute, many of whose leading figures have close associations with the Labour party, sets out its list of radical reforms in what it calls a draft constitution running to 129 articles and six schedules.

Apart from its calls for an end to the supremacy of parliament and for the abolition of the royal prerogative, it demands a bill of rights, an elected second chamber to replace the House of Lords, and the introduction of fixed-term parliaments.

The constitution envisages the devolution of political power to elected assemblies in Scotland, Wales, Northern Ireland and 12 English regions.

But it is the call for the replacement of the current system for voting MPs into the House of Commons by the additional member system that will attract most interest in Labour ranks. It will increase the pressure on Mr Kinnock to adopt a more radical stance on reform, perhaps by promising a form of constitutional conference immediately after the general election.

The additional member system, a hybrid that assigns some votes to parties and some to individual constituencies, would allow the House of Commons to maintain close links between MPs and their constituencies, but would distribute seats much more proportionately to the number of votes cast for each party.

It has already been studied closely by an independent committee under Professor Raymond Plant of Southampton University charged by Mr Kinnock with studying the implications of electoral reform.

Cold comfort in election lore

John Major prepares to choose polling day: **Philip Stephens** reports

IT IS AT times like this in the electoral cycle that prime ministers turn to the history books. The lessons for Mr John Major are decidedly awkward.

The publication of another two opinion polls yesterday showing the Conservatives with a lead over Labour of four to five points intensified the speculation that he will be tempted into a November poll.

The truth is that neither he nor his most trusted advisers have made up their minds. That in itself is significant.

Mr Chris Patten, the party chairman, spent much of the weekend telling television viewers that his longstanding preference for a 1992 poll was as valid as ever. His theme was that if the promise of economic recovery had brought such a strong revival in Tory fortunes why not wait for the reality to reinforce the trend during the next six months?

It is a judgment shared by many in the most senior ranks of the cabinet, notably Mr Norman Lamont, the chancellor. One of Mr Major's close confidants could point yesterday only to Mr Kenneth Baker, the Home Secretary, as an enthusiast for November.

Yet there is no doubt that the mood of optimism among the voters which has reversed Labour's lead in the polls has also begun to infect the Cabinet.

Six weeks ago one senior minister gave odds of 100 to 1 against an election this year. Yesterday the most he would say was that a November poll was "not probable, not at all probable – but possible".

Conservative Central Office has dusted off its contingency plans to transform the publicity campaign which opens this week – long-planned as a precursor to the party conferences – into a full-scale election battle plan.

Ministers have been as surprised as anyone at the speed of the turnaround since July. They thought then that the summer lull in politics might add the traditional two or three points to the government's standing, leaving it neck-and-neck with Labour. No-one predicted it would have a significant lead; or that support for Labour would sink below 40 per cent.

Recent headlines have tended to focus on the personal lead that Mr Major has established over Mr Neil Kinnock, the Labour leader, in the ratings, but the most surprising, and encouraging, signs for the government have come from the poll evidence on the economy.

The NOP survey published in the Independent on Sunday on September 8 gave the clearest indication of the trend. Voters said they had become markedly more optimistic about the outlook for their financial position over the next year.

As importantly, the number who thought that the Conservatives rather than Labour would deliver the prosperity jumped equally sharply. Mr Major is as convinced as anyone that elections are won and lost on the economy.

The problem is that a four or five point lead is not enough to be sure of winning, particularly when it follows a period in which the voters have been particularly febrile.

The then Mr Harold Wilson made exactly that mistake in 1970 when he was persuaded by a batch of favourable opinion polls to bring forward the election from October to May. The lead vanished during the campaign, letting Mr Edward Heath into Downing Street.

Faces from the past: Harold Wilson, left, moved too early in 1970, while premier James Callaghan delayed in 1978

Mr Patten will be telling Mr Major that unless the gap with Labour widens significantly over coming weeks – and Tory support moves from it present level of between 40 per cent and 42 per cent to 44 to 45 per cent – history could well repeat itself.

The gloss of the prime minister's recent globe-trotting could easily fade during an election campaign fought on domestic issues.

With unemployment still climbing sharply it is uncertain for how long the voters will be content with the promise rather than the reality of economic recovery.

Mr Major might yet be punished for the recession and the poll tax. Mr Paddy Ashdown's newly-confident Liberal Democrats could steal vital votes from the Tories in the South.

But there are risks also in delay as Mr Major must have learnt in 1979, the year he first entered parliament. The then Mr James Callaghan had considered an election the previous autumn, but had first dithered and then delayed. The unforeseen – the winter of discontent – drove him from office.

As he looks ahead over the next six months, the prime minister must wonder whether Europe, the poll tax, rising unemployment or simply something he has not thought of might hand the initiative back to Labour. He has already voiced some regrets about not risking an election back in the early summer. He is impatient for his own mandate from the voters.

Of course the fog could clear over the next few weeks. If the Conservative lead in the polls has edged down by the time of Labour's conference in Brighton in the first week of October all talk of a 1991 election will again evaporate. If on the other hand the gap has widened to eight or 10 points, then Mr Major might find it impossible to delay, even if he wanted to.

It is if the polls stay as they are – or perhaps add another point or two to the Tory lead – that his dilemma will become excruciating.

The odds are still that in those circumstances he will wait. But either way he will find little solace in the history books.

Opposition seeks to dent Tory optimism

By Ralph Atkins

THE OPPOSITION Labour Party will today argue that a real economic recovery in Britain will only come when unemployment falls, as the party increases its drive to return the political agenda to domestic policy.

Following Labour's slide in weekend opinion polls Mr Neil Kinnock, party leader, and Mr John Smith, opposition spokesman on economics, will seek to puncture Conservative optimism over the economy and again call for a November general election. A full recovery may not materialise until 1993, they will argue.

Mr Smith said yesterday that speculation over the election date was disrupting the economy. Mr Roy Hattersley, deputy leader, said he was becoming increasingly persuaded of the case for fixed term parliaments because of the uncertainty speculation created.

Party strategists are relying increasingly on a switch of attention to domestic issues to revive the party's standing in opinion polls – a message likely to be reinforced when the "shadow cabinet" meets tomorrow for the first time since before the summer.

Mr Smith said speculation over election dates "doesn't help the management of the economy, or the proper ordering of our affairs. So if the Conservatives are so confident about it, I think they should have the election now."

Mr Smith's speech today will set out Labour's definition of what a "real" economic recovery would mean. Recovery must imply a return to the position before the recession began, for example by sustaining a trend in the annual growth rate of about 2½ per cent.

"Real recovery is at the very least when the level of unemployment begins to fall. And real recovery is only durable when levels of investment, particularly in manufacturing, start climbing again," *he will say*.

Citing forecasts he will argue, "it is quite clear that a full recovery from the recession would be far from secure even by the end of 1992."

UK NEWS

Lesson from France for English inner cities

William Dawkins reports on how violence across the Channel has parallels with disturbances at home

THE latest wave of rioting in English cities has strong echoes in France, where the government has been wrestling with an increase in urban violence over the past year.

It has responded by extending central control over local-authority finance and housing in a partial reversal of the decentralisation of the past decade.

All this makes an interesting parallel to the erosion of the powers of UK councils when Mrs Margaret Thatcher was prime minister, although the reason for centralisation in France is that the government there is worried about local councils' inability to prevent such outbreaks. The government has also stepped up police numbers in the most sensitive areas, with an emphasis on UK-style pavement patrols, and has provided more training and leisure activities for the poorest suburban housing estates.

It may be thanks to the urgency with which the government has tackled the problem that France has come through its long summer holiday without the outbreaks that many were expecting after an outbreak of riots in the spring.

But nobody is betting that the problem has been cracked. Unemployment is at 9.4 per cent and rising – and higher in the worst-off suburbs – and racial tensions continue to simmer in a country with 3.6m resident foreigners and growing concern over illegal immigration.

The riot that sparked the government's concern took place just over a year ago at Vaulx-en-Velin, a housing estate near Lyons, when teenagers burned down a shopping centre after a young motorcycle passenger was killed in a crash with a police car. What was so worrying was that Vaulx-en-Velin, listed as one of the 400 dangerously poor suburbs with higher-than-average joblessness and immigration, had just undergone a much publicised facelift designed to soothe its social ills.

In the ensuing re-think, the government appointed Mr Michel Delebarre as France's first minister of cities, charged with improving the co-ordination of the FFr4bn (£40m) the state spends annually on urban problems. He also tabled two laws, which received parliamentary approval in the spring, extending central government intervention in urban policy.

The first law shifts FFr900m of local tax income from rich areas to poor ones this year, rising to FFr1.5bn in 1993, to ensure that the poorest areas do not get poorer. The other scheme, nicknamed the anti-ghetto law, obliges all towns above a certain size to make available a fifth of their housing for poor families or pay central government to do so. That is recognition of the need to integrate housing, in contrast to the islands of tower-block development that France and the UK built in the 1950s and 1960s.

Yet trouble broke out again last March, when youths clashed with police in Sartrouville, a district of one of the five new towns encircling Paris, after a young Arab was shot by a supermarket night guard. A month later, a wave of burning and looting swept Mantes-la-Jolie, another of Paris's satellite new towns.

That violence was more worrying, because Mantes-la-Jolie produced the first suburban outbreak in recent memory to happen without a clear trigger. Ironically, the French government showed off the town as a triumph of urban planning to a visiting UK minister only last year. Its mayor, Mr Paul Picard, happens to be Mr Delebarre's special adviser.

The events at Mantes-la-Jolie prompted Mr Delebarre's team to come up with another urban package in what turned out to be a successful attempt to avoid another round of violence as temperatures and tempers rose through the summer.

The aim was to reinforce local police in vulnerable areas during the summer months and set up foot patrols in 40 high-risk suburbs by next year to improve community policing.

The state also increased subsidies to local authorities for youth training, pledged to build 500 sports areas in the next year and launched a programme for 4,000 young people from the cities to take summer farming jobs.

The call by British police for reinstatement of the Riot Act strikes another echo in France, where the police have a similar law at their disposal.

French police can call a halt to a demonstration or disturbance, after which anybody who remains on the street can legally be arrested, as laid out in Britain's former Riot Act.

However, the French police need the permission of the local *préfet*, the state's representative in the *département*, or local district, before doing so. In any case, causing a disturbance is an offence.

A common complaint, in the French suburbs at least, is that the police have too much latitude and not enough staff.

The Interior Ministry replies that it is satisfied with the powers available to its police force and that no legal changes are envisaged.

Looking for trouble: a rioter on the streets of Paris, where the government has been seeking answers to the violence

THE WAVE of urban violence that swept through some inner city areas last week appeared to have abated yesterday, following a quiet Saturday evening, Emma Tucker writes.

However, Mr Roy Hattersley, deputy leader of the Labour party, called on the government to fulfil some of its promises on law and order and said Labour was in favour of dealing harshly with those responsible for the riots.

He said: "That is one of the reasons I desperately regret there have been so few arrests in Newcastle. All the police have done, and been able to do, is to contain it. I would like to see those ringleaders in court on Monday and sentenced very severely."

THE SPATE of thefts of high-performance cars, highlighted by recent "joyriding" incidents, has led insurers to raise premiums for owners of such cars by up to 80 per cent, Philip Coggan writes.

Norwich Union, the UK's largest motor insurer, plans to increase premiums for all motorists by a minimum of 20 per cent from October 1.

However, Mr Peter Woolterton, the company's assistant general manager, says that "our statistics show that certain sports saloons, 'hot hatches' and other high-performance cars have particularly bad claims records and are prime targets for car thieves.

"From now on their owners will have to pay their fair share."

The increases will be greatest in areas with bad claims statistics. For example, a 30 year-old motorist in Luton with a Peugeot 205 GTI will pay £955 for comprehensive cover, with a maximum no-claims discount, an increase of 74 per cent on the current premium of £549.

The same motorist driving a Ford Escort LX 1.4 in Gloucester will pay just £366.

Most policyholders will also have to pay the first £100 of any theft claim unless the car was in a locked garage at the time of the theft.

Other insurers have imposed similar thresholds, and Royal Insurance, for example, will not insure against theft cars which are left on the streets at night in certain "high-risk" areas.

Last year, Norwich Union paid out £332m in private car claims. Theft cost the insurance group £48m in 1990, up 66 per cent on the previous year.

A number of insurance groups are increasing premiums. Eagle Star is raising premiums by 9.1 per cent on October 1, after an 8.5 per cent increase in July.

General Accident has pushed up premiums by around 25 per cent over the past year. Royal Insurance has just increased premiums by 10 per cent, following a 9 per cent rise in April.

Banks see fall in status of London

By Robert Peston

LONDON'S pre-eminence as a European financial centre will soon be eroded by Frankfurt, Paris and Berlin, according to a survey by the London Chamber of Commerce of foreign banks operating in the capital.

The continental cities are likely to benefit from their proximity to eastern Europe, according to the survey. Also seen to be in their favour is that their regulatory regimes are likely to become closer to London's as a result of European Community directives.

Respondents said London's weaknesses were its lack of an integrated policymaking body for the capital, its poor transport network and unattractive quality of life for workers.

The chamber said that the creation of a strategic body with "some teeth" was seen as fundamental to the capital's ability to maintain business and to attract investment.

The survey, of 109 banks employing 32,000 people in the UK, predicts that London's financial-services industry will continue to grow in absolute terms, if more slowly than in some other European cities.

Aggregate interest charge for Manchester businesses up 41%

By Ian Hamilton Fazey, Northern Correspondent

TOTAL INTEREST CHARGES paid by the 100 largest businesses in Manchester rose last year by 41 per cent, according to an analysis of company results to be published today by the Manchester corporate finance department of KPMG Peat Marwick McLintock, the accountancy firm.

The aggregate figures were £841m last year and £596m in 1989, and the change almost matches the drop in the companies' total pre-tax profits, which fell by £231m to £1.82bn last year from £2.05bn in 1989. The results are based on figures issued by companies at their year ends.

The businesses include 30 quoted companies based locally, 24 with owners elsewhere in the UK, 30 with overseas owners and 16 unquoted ones including the Swinton insurance group and the Co-operative Wholesale Society.

Their results will be published for the first time today in the form of a company report, and annual reports will follow.

The businesses have been ranked by turnover, which totalled more than £24.6bn. That rose 8.4 per cent last year from nearly £22.6bn in 1989. Operating profits fell from a total of £1.83bn in 1989 to £1.76bn last year as a result of a growing squeeze on margins. The analysts say, however, that inflationary pay rises were not to blame. Pay rises averaged only 5 per cent, so it was rises in other costs that depressed margins.

Peat Marwick says that rising interest charges caused extra pain because borrowings to fund investment had risen to record levels of nearly £1.20bn last year compared with £1.15bn in 1989. The combination of eroded profits and the rising cost of money cut interest cover – the ratio which indicates how many times profits will cover interest charges – from 4.4 times in 1989 to 3.2 times last year.

Liquidity deteriorated, as shown by a decline from 1.3 to 1.2 in the ratio of current assets to current liabilities, but that figure would have been worse if more debt had been short-term.

Improved stock turnover – 8.4 times last year from 8.2 times in 1989 – suggests reductions in stock levels. But average customer-indebtedness increased slightly from 102 days to 104 days as customers stretched payments to finance working capital. Peat Marwick says the health of business in Manchester will suffer if this later payment of debts becomes a long-term trend.

Although current liabilities rose by 18 per cent, trade creditors increased by only 9 per cent, indicating a tightening of credit terms all round. That was translated into increased dependence on short-term loans, which rose by 42 per cent to exceed £3.6bn.

Indeed, Manchester dependence on debt resulted in a reduction in equity gearing from 45 per cent in 1989 to 43 per cent last year, with long-term loans increasing by a third in two years. The companies' individual efforts to reverse this trend have been evident this year in the widespread rash of rights issues to swap debt for equity, as well as in unbundling and sale of non-core business segments.

Manchester plc. KPMG Peat Marwick McLintock, Tib Lane, Manchester.

Venture funds resume investment search

By Ian Hamilton Fazey

SOME regional managers of venture capital funds – whose activities are often an early pointer to economic trends – are beginning to look again for high-risk investments in businesses such as housebuilding, which fluctuate with the economic cycle.

Such "cyclical" businesses can be bought for seven times earnings or less. Mr Charles Richardson, director for northern England and Scotland with 3i, the venture capital group, said similar businesses cost 15 times earnings or more before the recession.

"Timing is everything in investment activity," Mr Richardson said. "Now is the time to be bold."

Fund managers say they believe the recession is over and that it is time to buy cheaply into small, well managed engineering and construction enterprises, as well as into fitted-kitchen and other home-improvement businesses which will grow quickly as the economy recovers.

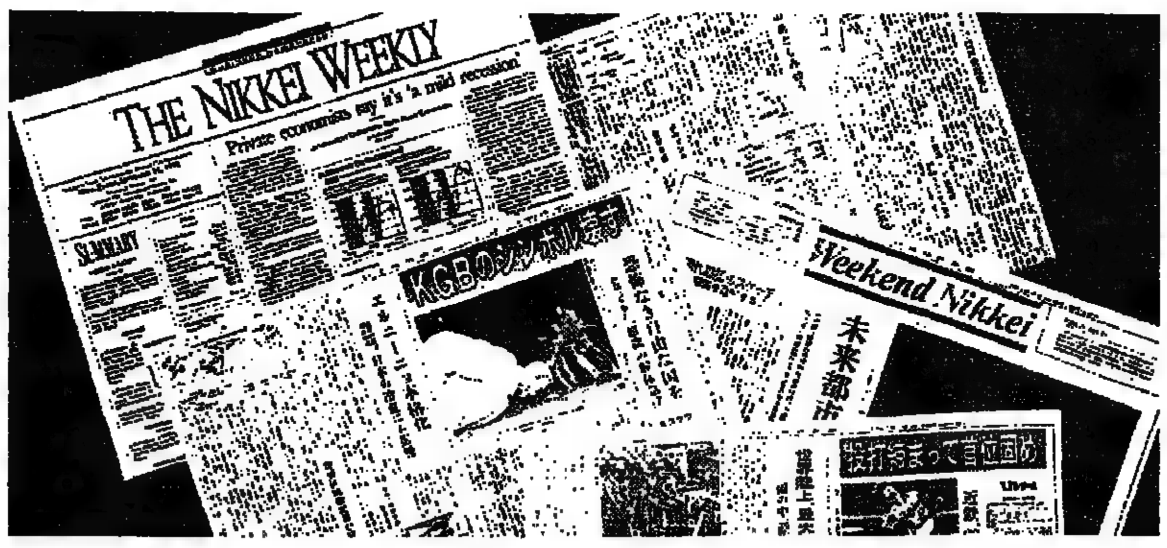
Funds now searching for investments tend to operate in regions which have been least affected by the recession, such as northern England. Most investments are expected to involve either management buy-outs of subsidiary companies from groups without the funds to expand them, or support for experienced managers hoping to buy their way into struggling companies.

Mr Geoff Burns, a director of the Glasgow-based Murray Johnstone financial services group, described the main obstacle now faced by fund managers as "basic human fear".

"We are ready to back promising cyclical businesses," he explained. "However, three years ago, anyone launching a management buy-out where the parent refused the offer didn't worry about the sack – because they could walk straight into another job. Now jobs are scarcer, people are worried about the risk."

Mr Richardson said that 3i's northern offices were also looking for strongly managed start-ups. 3i's experimental northern scheme to support small growing businesses with venture capital sums under £100,000 as an alternative to bank loans has had a quiet summer. Inquiries have now picked up strongly, however.

MANAGEMENT



A word of advice about bowing to the inevitable

Ian Rodger on the mystique of dealing with the Japanese press

Of the many aspects of Japan that bewilder foreign [redacted] businessmen, [redacted] more mysterious and intimidating than dealing [redacted] the press in general and the Nihon Keizai Shimbun in particular.

The "Nikkei", as it is universally known, is the sole business daily newspaper in Japan, having roughly the same position and prestige in its home market as has the Financial Times in [redacted] UK [redacted] Wall Street Journal in the US. It is, therefore, a vital medium for any businessman in Japan.

Dealing successfully with the media is generally recognised as [redacted] subtle skill, and most large companies employ professional public relations people to advise them. But senior managers still like [redacted] retain a large say on how their [redacted] presents itself.

This process does not work for foreign businesses in Japan, mainly because the media, published in Japanese, are inaccessible to the typical expatriate [redacted]. Not only can he not himself judge how [redacted] to approach them, he is also poorly placed to [redacted] the advice he [redacted] from public [redacted] professionals.

The problem [redacted] intensified by [redacted] practices [redacted] the Japanese media which may seem strange and threatening to foreign business. Indeed, in the not too distant past, most Japanese media, like most Japanese organisations, were systematically [redacted] to foreign interests, and xenophobia lingers in some quarters.

In the mid-1980s, when foreign financial institutions were fighting for nothing more than the opportunity to do business in Japan on a similar basis with their Japanese competitors, it sometimes seemed as if the media – and, in particular, Nikkei – were little more than the cheering section for the protectionist home side.

More than one foreign businessman has had the dismaying experience of seeing sensitive internal data given to the Japanese Ministry of Finance in [redacted] appear later [redacted] the Nikkei in a less [redacted] flattering context.

The Japanese media, Nikkei included, [redacted] intimidate [redacted] same way as Japanese industrial companies do – by the sheer number and aggressive[redacted] troops. Before going [redacted] Japan, US and European [redacted] probably do [redacted] experience being approached three or four [redacted] a [redacted] by journalists from different [redacted] departments [redacted] the same [redacted]paper, all of them on rather unfocused but [redacted] and comprehensive fishing expeditions. And they probably have never been disturbed at home in the evening by a knock at the door by a journalist wanting to discuss their companies' problems. At Nikkei and other Japanese media, these are the normal, everyday methods of digging out news.

Is all this part of the great Japan Inc conspiracy to [redacted] the [redacted]? After spending four weeks inside Nikkei this spring, I am confident that it is not. Do foreign [redacted] have [redacted] hope [redacted] a full [redacted] hearing from [redacted]? Yes, increasingly so, subject to the unfortunate tendency [redacted] journalists there, [redacted] in [redacted] countries, [redacted] in [redacted] pinch.

Nihon Keizai Shimbun Inc [redacted] a totally independent, private, joint [redacted] over [redacted]. Only employees [redacted] shares. When [redacted] employee retires, he has [redacted] sell [redacted] shares back [redacted] treasury [redacted] par value, and the directors then offer them to other employees [redacted] par [redacted].

In [redacted] the flagship Nihon [redacted] Shimbun (Japan Economic Daily), [redacted] company publishes three other [redacted] business [redacted] in Japanese, [redacted] Nikkei Weekly (formerly called the Japan Economic Journal) in English, plus various magazines, directories and books. It operates a real-time electronic financial markets information service in Japanese and English as well as a huge economic and financial [redacted] in both languages. It also owns a network of television stations in Japan. The flagship paper has a circulation of over 3m copies per day, compared with the FT's 300,000.

[redacted] reported pre-tax profits of Y21.3bn (£93.01m) on [redacted] of Y241.3bn in 1990. The [redacted] policy after the second world war, mirroring that of Japanese [redacted] in general, has been [redacted] growth [redacted] than high profits. This policy [redacted], of [redacted], been [redacted] by the absence of external shareholders demanding better profit performance, but [redacted] extremely [redacted]cessful. Group [redacted] doubled between 1977 and 1986 [redacted] doubled again between [redacted] and [redacted].

The most striking feature of [redacted] editorial department [redacted] its [redacted] (some 1,300 journalists), compared with [redacted] FT's [redacted]. The hyper-competitive environment [redacted] Japan's [redacted] industry [redacted] all major players – [redacted] is certainly [redacted] of them – [redacted] in digging [redacted].

The typical Nikkei journalist [redacted] an [redacted] through [redacted] day – for [redacted] group's electronic news services and, in some [redacted], [redacted] speci[redacted] as well as [redacted] morning and evening editions of [redacted].

That, incidentally, [redacted] why [redacted] to [redacted] a vacuum cleaner, sucking up every bit [redacted] information [redacted] glean. Even [redacted] get an exclusive story for the main paper from an interview, [redacted] can usually [redacted] something [redacted] submit [redacted] one of [redacted] group's outlets.

The [redacted] for the foreign [redacted]nessman – and some have learned them well in [redacted] years – [redacted]. For one, you have [redacted] Nikkei journalists [redacted] same levels of [redacted] and energy that they [redacted] ready to give [redacted].

[redacted] probably [redacted] to [redacted] them into your [redacted] you would [redacted] journalists, [redacted] they will be responsive. You [redacted] suspect that what you tell [redacted] Nikkei journalist is going to be transmitted to your competitors and relevant government [redacted]cials, [redacted] you are probably right.

But don't be shy [redacted]. Feel free [redacted] retaliate [redacted] pick his brains for [redacted] assessments, which will probably be acute, [redacted] what your competitors are up to and how the winds are blowing in MITI [redacted] MoF. Japanese still look on [redacted] sort [redacted] exchange [redacted] information between [redacted]ple [redacted] are obligated [redacted] other as normal, although values [redacted] changing [redacted] it [redacted] soon [redacted] to [redacted]ered as unethical as it is in the West.

[redacted] frustrating that, just [redacted] you have got to know and trust [redacted] journalist, he [redacted] a [redacted] section. They jobs rotate, on average, every [redacted] years. You have [redacted] but [redacted] get [redacted] know the [redacted] advantage [redacted] can quite quickly accumulate a large number [redacted] Nikkei [redacted] spread throughout [redacted] editorial department.

[redacted] journalists are, in general, very young. They [redacted] straight [redacted] university in their early 20s, and [redacted] are forced to give up reporting and [redacted] up desk-bound editing [redacted] in their early 30s. They are inclined, like [redacted] young people, [redacted] be brash, [redacted] to make [redacted] mark and not too interested in [redacted] less [redacted] of an issue you may [redacted] trying patiently [redacted] explain to them. But, unless your grievance is a [redacted], don't [redacted] appealing to [redacted] higher authority.

[redacted] of some [redacted] the biggest companies in Japan admit [redacted] even they cannot pick up the phone and [redacted] Nikkei's president or [redacted] to stifle a reporter's story.

Similarly, Japanese companies also feel unable to resist pressure to allow Nikkei [redacted] opportunity to [redacted] about their developments before announcing them to other media. This is plainly [redacted] to competing media. But companies know that Nikkei is inclined to give generous [redacted] exclusive stories, and very short shrift to [redacted] releases.

It has virtually become accepted practice that big [redacted] announcements appear in Nikkei in the form of a "leak" [redacted] before the formal [redacted] is made. Foreign companies ignore this [redacted] their peril.

Whatever [redacted] the foreign busi[redacted] makes, there is [redacted] guarantee that his company will [redacted] treated with fairness consistently. Nikkei has long been officially committed [redacted] liberalisation [redacted] industrial and financial [redacted]kets in Japan, but it is also part of the society in which it operates.

It [redacted] be financially and managerially independent but, for a long time, it preferred [redacted] comfort of sticking [redacted] the self-serving establishment [redacted] the [redacted] standing up for unpopular principles.

Only in the past few [redacted] has it become strident, not only in its [redacted]rial [redacted] but [redacted] in [redacted] news coverage, in criticising protectionists [redacted] any stripe [redacted] remain in the country. Nikkei journalists are now expected [redacted] give a fair hearing [redacted] foreign viewpoints and, by and large, th[redacted] d[redacted].

But journalism [redacted] strange [redacted]. Senior [redacted] and editors [redacted] well have a clear policy, but the junior reporters who [redacted] actually [redacted]ering [redacted] different [redacted], and, because [redacted] time [redacted] often slip their [redacted] and prejudices past their [redacted].

[redacted] moment, there is an anti-[redacted] many [redacted] Japanese business [redacted] political reporters. They are cocky about Japan's economic success and look on Americans as lazy whingers. [redacted] editors are [redacted] by [redacted] simplistic view, but they admit [redacted] problems keeping [redacted] of their [redacted].

Nikkei is, in many ways, [redacted] paradigm [redacted] Japan. For [redacted] the second world [redacted], [redacted] only internal policy [redacted] grow, [redacted] only editorial policy [redacted] support anything that [redacted] the country's [redacted] growth. The [redacted] within Japanese society [redacted] this [redacted] nearly total, making [redacted] judgment simple. Today, the consensus [redacted] breaking down, as [redacted] force themselves [redacted] Japan's agenda.

Meanwhile, [redacted] has, [redacted] in [redacted] electronic media, extended [redacted] around [redacted] globe, making it much [redacted] important that [redacted] reporting and analysis is consistently fair and accurate. The group's editors are [redacted] aware of these [redacted] challenges and [redacted] to them with [redacted]able vigour. [redacted] result is that their newspapers are getting better and [redacted]ter. They are also [redacted] easier for the foreign businessman to deal with.

Declarations put into practice

Diane Summers on equality of recruitment

The simple declaration in job advertisements and recruitment literature that [redacted] organisation [redacted] an "equal opportunities employer" [redacted] still seen by many as sufficient, somehow, [redacted] make the equality actually happen.

The point has been taken up this week by the Commission for Racial Equality with the publication [redacted] latest best practice guide to monitoring and achieving racial equality in employment.* Many [redacted] the principles explored in [redacted] guide can be applied equally to the [redacted] of sexual equality.

The CRE's main argument is that, once [redacted] organisation has accepted that it must [redacted] an [redacted] equal opportunities [redacted], monitoring [redacted] the only way of finding out whether the policies [redacted]ceeding in practice.

[redacted] Mary Coussey, director of [redacted] commission's employment division: "Monitoring [redacted] essential [redacted] an equal opportunity policy and for [redacted] of [redacted] human [redacted]. And just [redacted] plans, [redacted] equality [redacted]ment of [redacted] progress to expect and [redacted] for."

The words "monitoring" and "targets", particularly when [redacted] with [redacted] sex, persist [redacted] having neg[redacted] connotations for many employers.

The CRE, recognising this, [redacted] published [redacted] companion booklet which aims [redacted] counter some [redacted] frequently made objections [redacted] idea [redacted] keeping a [redacted] ethnic origin.**

The commission points to a Policy Studies Institute finding [redacted] as many as a third of pri[redacted] employers discriminate directly against Asian and Afro-Caribbean job applicants. Says the [redacted]: "No major employer can reasonably [redacted] satisfied [redacted] indirect discrimination [redacted] occurring."

Even [redacted] a senior [redacted]ager, personally, is not discriminating, [redacted] of his [redacted] employees [redacted] be operating their own informal racial barriers [redacted] ethnic minorities.

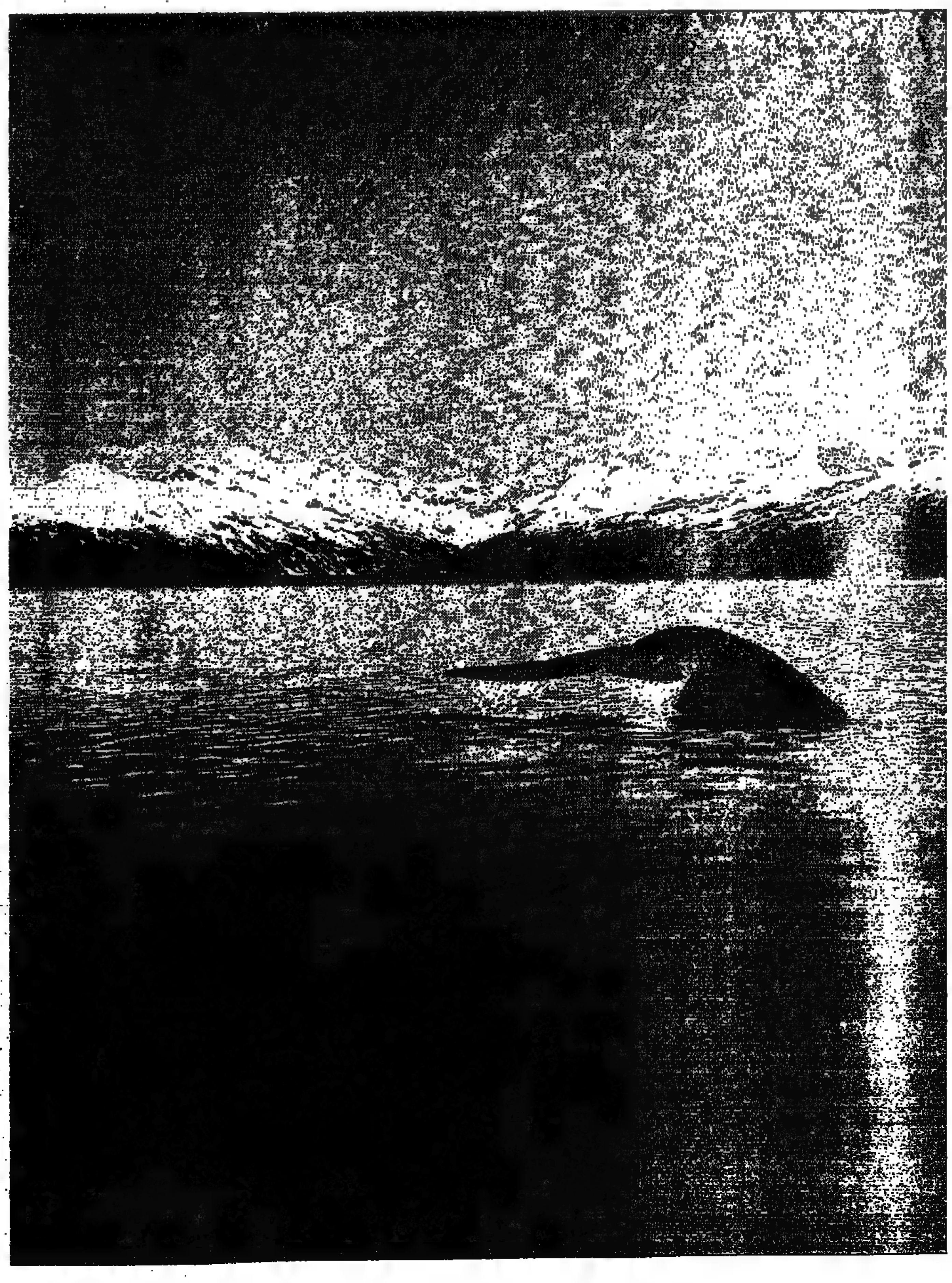
On a practical level, the CRE [redacted] in its best practice booklet a step-by-step guide to the collection and analysis of ethnic origin [redacted]. It takes in:

- Planning and consultation with the workforce on the collection [redacted] data. This needs [redacted] be carried out [redacted] the earliest possible stage to clear up misunderstandings and ensure co-operation.
- Ethnic classification. Collecting information in [redacted] may disguise the [redacted] disadvantage suffered by some subgroups. The CRE [redacted] minimum of [redacted] ethnic categories for monitoring purposes: white, Afro-Caribbean, Indian, Pakistani/Bangladeshi, [redacted] other.
- Data collection on existing workforce. A particular day, [redacted] or month should be cho[redacted] for data collection. The CRE has found [redacted] that [redacted] is [redacted] combination [redacted] – [redacted] employees [redacted] form their ethnic origin – [redacted] management "top-up", with supervisors chasing up replies.
- Application forms. All applicants, including [redacted] send CVs or letters, should [redacted] application form, so [redacted] data [redacted] be collected on [redacted] consistent [redacted]. Record [redacted] rejection [redacted] each [redacted] pro[redacted] and [redacted] for about [redacted] months.

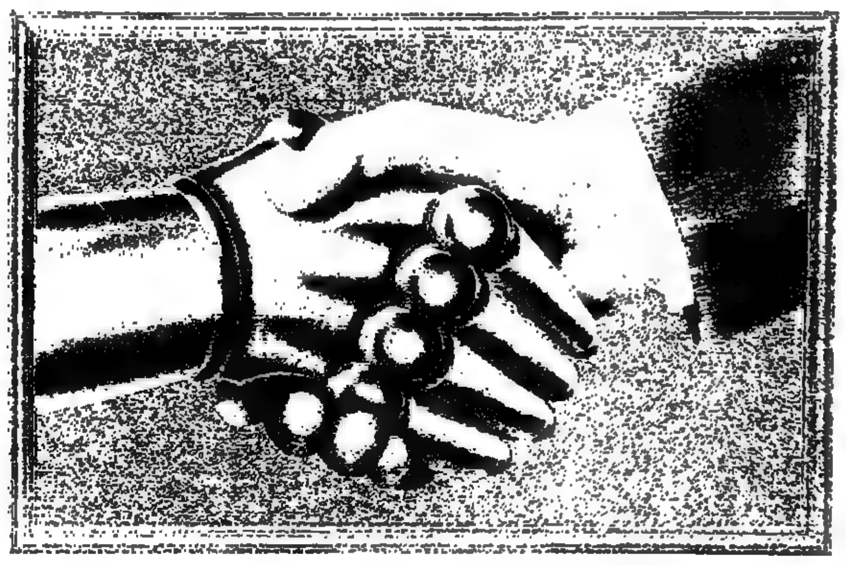
Finally, the CRE emphasises [redacted] collecting [redacted] origin [redacted] not an end in [redacted] – [redacted] information [redacted] analysed and reviewed. [redacted] a rough rule [redacted] thumb, negative replies [redacted] questions, in particular, [redacted] prompt [redacted]dial action.

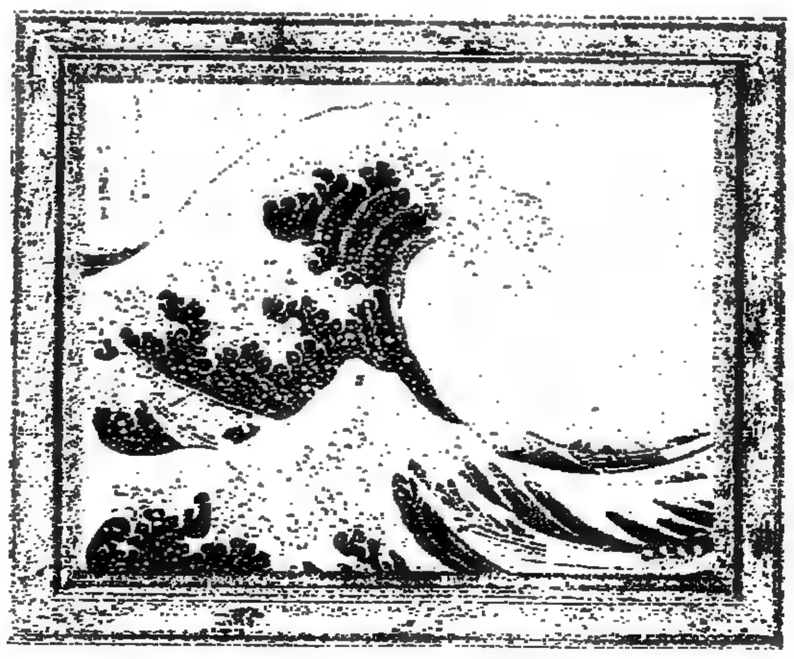
[redacted] "Is the proportion of ethnic minority applicants [redacted] you [redacted] expect when compared with [redacted] benchmarks and equality targets, or are there major differences between [redacted] and ethnic minority groups?" Second: "Are success [redacted] minority [redacted] four-fifths [redacted] white candidates?"

**A [redacted] of Equality: monitoring and achieving [redacted] equality in employment. Price £4. **Why Keep Ethnic Records? Questions and [redacted] for [redacted] and employees. [redacted] available from Lavis Marketing, [redacted] Oxford OX3 [redacted]. Add 10 per cent for p&p.*



THE JAPANESE HAVE MARSHALLED THEIR ARTS.





From September to January, The Japan Festival is staging the largest celebration of Japanese arts and entertainment events ever seen outside Japan.

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The Japan Pass is just £5, and gives you discounted access to a wide range of Japan Festival events nationwide.

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071-413 3310 (24 hours)

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CALL THE JAPAN FESTIVAL BOX OFFICE ON 071-413 3310 FOR YOUR PROGRAMME, A MAGAZINE GIVING A FULL LISTING OF ALL EVENTS NATIONWIDE.OVER 100 COLOUR PAGES OF ARTICLES AND INFORMATION ON JAPANESE LIFE AND CULTURE FOR JUST £2.50. (ALSO AVAILABLE AT FESTIVAL VENUES.)

TOYOTA in the UK Canon

Science park

W A BOULTING has been awarded contracts worth nearly £2m for projects in Newcastle-upon-Tyne and Manchester.

The largest [redacted] is [redacted] the city centre Newcastle Science Park, where Boulting will install both mechanical and electrical services in five high technology three and four-storey office buildings for main contractor A F Budge (Building).

The other project is in a Rank Hovis flour mill in Trafford Park, Manchester. Under a contract from Robinson Milling Systems, Boulting's Warrington office is designing and installing services, instrumentation and cabling in the newly refurbished mill.

Shopping mall

British specialist cladding and curtain walling company, AVON CLADDING SYSTEMS, has won a £1m contract for the refurbishment of a shopping mall overlooking Lake Lucerne in Switzerland.

Avon [redacted] develop [redacted] design, fabricate, deliver and fit [redacted] new roof and a total of 1,650 sq metres of curtain walling at the 1960s shopping mall in the Schonbuhl district of Lucerne.

Business project

SHORELINE DEVELOPMENTS, part of the Shoreline Group, has been awarded phase one of a £760,000 roads and infrastructure project for Mountleigh Group at its Saltash business park.

The 33.5 acre site will offer units for office, light industrial, warehousing and non-food retailing.

CONTRACTS

Sydney airport

Contracts totalling [redacted] (about £38m) have [redacted] by BARCLAY MOWLEM, the Australian subsidiary of John Mowlem Construction.

The largest project won by Barclay Mowlem, worth A$27m, involves [redacted] construction of an apron together with ancilliary works for the new terminal extension at Sydney's international airport.

Also in New South Wales the company has been awarded [redacted] A$4.5m contract to design and build support facilities at Mount Piper power station for the Electricity Commission of New South Wales.

A A$5m contract has been won in Western Australia for the electrification of the suburban rail services in Perth and a A$4m contract [redacted] been awarded by [redacted] Railways [redacted] ballast cleaning and track maintenance [redacted] Adelaide [redacted] Port Augusta, South Australia.

Various [redacted] include an [redacted] metre long [redacted] railway at Flemington, [redacted] South Wales (A$2.7m); a train loading tunnel at Yandicoogina, [redacted] Australia, for BHP Minerals (A$2.7m); a [redacted] vehicle service complex [redacted] for [redacted] 2nd Cavalry in Darwin, Northern Territo[redacted] (A$1.9m) [redacted] foundations for an aluminium refinery [redacted] Wagerup, [redacted] Australia (A$1.4m).

[redacted] have been won in Papua [redacted] Guinea, including [redacted] OK Tedi gold and copper mine and an airport terminal [redacted] at [redacted].

University offices plan

M J GLEESON GROUP has won educational, housing and industrial construction contracts in July [redacted] August worth in the region of £11m - the major share [redacted] to the northern construction division.

The largest [redacted] £5.13m, 100,000 sq ft four-storey [redacted] development around a central courtyard, together with parking for 115 cars, to be built for Sheffield University to house high-technology departments plus private companies operating in complementary areas of business.

In Sheffield Gleeson is [redacted] build [redacted] dwellings for [redacted] Housing [redacted] comprising [redacted] and [redacted] semi-de[redacted] in [redacted] of the city [redacted] already [redacted] social housing [redacted].

Additionally, Gleeson has undertaken a 12-week contract to totally reorganise entry arrangements, improve facilities and fully seat the Leppings Lane end of Sheffield Wednesday FC's Hillsborough stadium. Work is also starting on industrial building works at Drax power station, Selby.

London redevelopment

HIGGS [redacted] HILL SPECIAL CONTRACTS [redacted] been [redacted] by [redacted]spur Developments [redacted] £5m office development [redacted] 14-16 Cockspur [redacted] London SW1.

The project requires the part demolition of a building with the retention of its front facade and some offices. A part steel frame, part concrete frame office building is to be constructed behind the retained portion of the building which will be clad in brickwork to match the existing structure.

The building will feature a central atrium with two glass backed lifts serving all office areas.

On completion, in mid 1992, the development will provide 43,000 [redacted] high quality office [redacted]. It will be air conditioned throughout [redacted] will [redacted] mansard roofs.

The architect is Hunter and Partners and consulting engineer is Waterman Partnership.

APPOINTMENTS

Rolls-Royce posts

■ The industrial power group of ROLLS-ROYCE is making the following senior management appointments on January 1. Dr Robert Hawley, managing director (operations) of NEI, is appointed managing director of that company. All NEI's trading company managing directors will report to Dr Hawley.

Mr Peter Lockton, managing director of NEI's international and projects engineering group, is appointed overseas projects director of the industrial power group.

Mr Andrew Perkins, managing director of NEI's power engineering group, is made managing director of Rolls-Royce Nuclear Engineering.

Mr Peter Tweddle, head of employee relations in the aerospace group, is appointed director of personnel for the industrial power group.

Mr Gerald Gould, managing director of NEI Thompson, will become finance director of Rolls-Royce Nuclear Engineering.

■ C I GROUP, the Wolverhampton-based steel and engineering group, has appointed Dr Chris Anspack to the board. He will initially be based at, and responsible for C I's French re-rolling subsidiary Société Métallurgique de Brévilly, located in the Ardennes close to the Belgium border.

■ The London based EUROPEAN MARKETING CONSULTANTS has appointed Ms Tina Naylor, formerly account director, to the board as an executive director.

Ms Naylor has been employed by the company since 1987. Before that she worked with Lifetree Software Europe as European marketing manager.

■ BIOPLAN HOLDINGS, the independent healthcare group, has appointed Mr Bob Nellist [redacted] executive chairman. Mr Nellist joined the board earlier this year and was previously finance director with Thorn EMI and Mecca. Mr Peter Townsend, who founded the company in 1982, has resigned from the board but will continue to assist the company in developing its relationships with health authorities throughout the UK.

■ J. HENRY SCHRODER WAGG has appointed Mr John M. Wertheim as assistant director and financial controller. He was previously vice president and European controller at Bank of America in London.

■ ML HOLDINGS, the aerospace and electronics group, is making Mr John M. Bryson its group finance director on October 1. He joins ML from Expamet International where he was group finance director.

Reorganisation

■ The promotion of two senior managers of the Inntrepreneur and tenanted management divisions of GRAND METROPOLITAN ESTATES has resulted in an organi[redacted]onal [redacted]ange in the two operations.

Mr David Grace, currently managing director of Inntrepreneur, will be moving to Grand Metropolitan Retailing, the managed house division of Grandmet, taking up the position of operations director. Mr Des O'Flanagan, currently tenanted estates director, rejoins Courage as sales director - east. Both appointments are effective from October 1.

As a result of these changes the [redacted] fun[redacted]ntrepreneur and tenanted management will be integrated.

Mr Rodney Mann, a director of I.D.V. (UK), the drinks division of GrandMet, will become managing director of Inntrepreneur and tenanted management.

■ G W THORNTON has appointed Mr Chris Leviston as sales and marketing director of its wholly-owned subsidiary, Thornton Precision Forgings.

TRADE FAIRS, EXHIBITIONS & CONFERENCES

SEPTEMBER 23
Life Insurance in Europe: Is Allfinanz the Way Forward? Against a background of rapidly advancing Euro deregulation in Financial Services, banks and [redacted] companies are squaring up to fight the [redacted] the life insurance market. Industry leaders in both areas will analyse their chances of success. Contact: Jo Bradley, The Economist Conference Unit on 071 493 6711.
LONDON

SEPTEMBER 24-25
SUCCESSFUL ACQUISITIONS & DISPOSALS OF UNQUOTED COMPANIES
The complexities of buying or selling an unquoted company are unravelled, stage by stage, highlighting the most effective avenues to take throughout the exchange, whilst pursuing the commercial rationale and priorities. Contact FIBEX. Tel: 071 489 9944. Fax: 071 [redacted]
LONDON

SEPTEMBER 25
STRATEGIC PLANNING FOR TOTAL QUALITY MANAGEMENT
This one day seminar is a guide to the processes of TQM and is presented by the Department of Trade and Industry as part of the Managing into the '90s programme. Location: Forte Crest, Newcastle upon Tyne. Contact: Joleen Smith - IBIS - Telephone: 0727 825 209, Fax: 0727 826 461
NEWCASTLE

SEPTEMBER 26
AFTER THE SOVIET UNION - POLITICAL AND ECONOMIC PROSPECTS
Convened by the Royal Institute of International Affairs. Chatham House, London. Enquiries RIIA Conferences. Tel: 071 957 5700 Fax: 071 957 5710
LONDON

SEPTEMBER 27
ACTIVITY BASED COSTING
A one-day course at LSE intended for people who wish to consider overhead control. Organiser: Dr Miles Glotzmann. Contact Nicola Meakin, Short Courses Office, LSE Tel: 071-955 7227
LONDON

SEPTEMBER30
MALCOLM BALDRIDGE AWARD WORKSHOP Conducted by Janet Fiero, a Baldridge Examiner. Use Award Criteria and Assessment Process to improve your company. Contact: Eileen Peverall, David Hutchins Associates Ltd. Tel: 0344 28712 Fax: 0344 25968.
LONDON

OCTOBER 1-2
TOTAL QUALITY USERS' CONVENTION
With presentations and practical workshop sessions from leading Quality companies. Final programme available from Eileen Peverall, David Hutchins Associates Ltd. Tel: 0344 28712. Fax: 0344 25968.
LONDON

OCTOBER 2
FACING UP TO MONETARY UNION The practical implications assessed by Lord Aldington, Hans Tietmeyer, Eddie George, Manuel Conthe and others. Organised by Cityforum Ltd for the association for the Monetary Union of Europe, Clifford Chance, Ernst & Young and the Wall Street Journal Europe. Contact Marc Lee.
Tel: 0225 466744 Fax: 0225 442903.
LONDON

OCTOBER 3-4
KNOW YOUR COMPETITORS
Competitor Intelligence [redacted] Analysis
Café Royal, 68 Regent Street, London W1R 6EL
Contact: Patricia Donnard.
EMP Intelligence Service,
Tel: 071 487 5665 Fax: 071 935 1640
LONDON

OCTOBER 7
RIGHTSIZING THE I.T. FUNCTION
Key issues on defining the scale and shape of the IT function to meet the changing requirements of business in the Nineties. Contact Business Intelligence. Tel: 081 944 1591; Fax: 081 944 0332
LONDON

OCTOBER 7-10
FIRE '91 - The national Conference and Exhibition for the whole fire protection profession. English Riviera Centre, Torquay. Contact: Jane Malcolm-Coe, FMJ International Publications Ltd. Tel: 0737 768611. Fax: (0737) 761685
TORQUAY

OCTOBER 8
DOING BUSINESS IN ITALY.
[redacted] comprehensive guide to corporate strategy. Sponsored by: Coopers & Lybrand, Europe. Covering the strategic legal, M&A, accounting and personnel differences when compared to the UK. Contact: FIBEX Tel: 071 489 9944 Fax: [redacted]
LONDON

OCTOBER 9
ENERGY FROM WASTE-CLEAN, GREEN & PROFITABLE
CBI Conference Centre.
This informative seminar will cover the economic, legislative, and environmental aspects of the disposal of waste for profit and will be invaluable to industrialists, local authorities, generators, suppliers, [redacted] environmentalists. For a detailed programme contact Judith or Jill at The Institute of Energy on 071-580 0008 Fax: [redacted]
[redacted]

OCTOBER 9
DISTRIBUTION AND THE BOTTOM LINE
How to control distribution costs by: developing the right strategy; contracting out; transport route selections; better warehousing techniques; improving labour productivity. Scandic Crown Hotel - Euston, London. Contact Mandy Parker 071 833 3291. [redacted] Courses and Conferences.
LONDON

OCTOBER 10
Financial Reporting in the UK.
Hotel InterContinental, London.
Enquiries: Financial T[redacted] Conference Organisation. Tel:071 [redacted] 2323 Fax: 071-925 2125.
LONDON

OCTOBER 10-11
Foreign Investment and Privatisation in the USSR
Prospects after the events of August 1991. Fee £475.00. Contact: Sarah Avian, Legal Studies & Services Limited: 071 637 4383
LONDON

OCTOBER 11
The Cost Implications of Pay and Benefits in a C[redacted] Public [redacted] Cipfa's Public Finance [redacted] and Noble [redacted] Consultants and Actuaries.
Rewards for finance personnel in the public and private sector - the 'total compensation' approach. Phone 071-895 8823 Ext.255 Gail Main or Ext 344 Chris Tinder.
LONDON

OCT[redacted] 14
TRUSTEES AND THE DERIVATIVE MARKETS
On November 1st existing trust will [redacted] subject to Efficient Portfolio Management (EPM). All trustees and fund managers will have to be aware of EPM and its implications. Speakers from IMRO, SIB and others. [redacted] and Options World, 081 [redacted]
LONDON

[redacted] 14
Average Rate Options in the Foreign Exchange Markets.
Pricing techniques, hedging, practical applications for the user, [redacted] aspects and the management perspective. Speakers include Dr Desmond Fitzgerald, Director, Head of Arbitrage, Mitsubishi Finance International plc and Mark Yallop, Director & Head of Derivatives, Morgan Grenfell & Co Ltd. Call Gillian Becket (0223) 423250
LONDON

OCTOBER 15
SUCCEEDING WITH EXECUTIVE INFORMATION SYSTEMS
A practical guide to the successful development and implementation of EIS. Includes evolutionary development approaches, effective screen presentation and data quality and consistency issues. Contact Business Intelligence. Tel: 081 944 1591 Fax: 081 944 0332
LONDON

OCTOBER 15-17
The Interactive Multi-media Event.
This is the largest Multimedia Exhibition and Conference in Europe with over 80 exhibitors and 60 speakers. The event will demonstrate the benefits and versatility [redacted] multimedia in such areas as retail, banking, finance, publishing, advertising, leisure, education and training. Wembley [redacted] - Hall 2/3. Contact: Cathy Whittaker. [redacted]
LONDON

OCTOBER 15 - NOVEMBER 6
STRATEGIES FOR SURVIVAL
Four 2-day crisis management and communication seminars. For all executives who would benefit from the challenging learning experience of managing real-life business crises - as they happen. Contac[redacted] Conferences Phone: [redacted] Fax: 0737 373556
BRISTOL, HAYDOCK, [redacted] GLASGOW
LONDON

OCTOBER 17
Euromedia [redacted]
A unique conference addressing the issues of TV programming rights, sports rights, cross-media ownership, quotas, license fees, and how they impact the future of cable, satellite and terrestrial TV, pay TV and radio.
Hotel Conrad - London
Contact: Kagan World Media
Tel: 071 403 8786 Fax: 071 403 8716
LONDON

OCTOBER 17-18
The European Community's [redacted] Auditing [redacted] - Seminar & Workshops
Guest speaker: Bernardo Delogu, DG XI, Commission of the European Communities, who drafted the Regulation; Chairman: Lord Clinton-Davis; Two sessions followed by intensive workshops. Palace Hotel, Buxton, Derbyshire. Contact Pamela [redacted] Tel: 081 876 3367
BUXTON

[redacted] 21 -
PAY AND PLAY GOLF SEMINAR
Devoted to overcoming barriers to pay and play golf development. International experts on the golf market, construction and environmental issues, finance, the law and marketing.
Contact British Sports and [redacted] Industries Federation. Tel: 081 681 1212 [redacted]
LONDON

[redacted] 21-[redacted]
THE FUTURE OF KUWAIT: [redacted] STRATEGIC PERSPECTIVE
This two-day Conference, at the Hotel Inter-Continental will involve International Experts, Corporate Executives, Academics and Top Government Officials from Kuwait, Europe, USA, Japan, and the Middle East who will meet to discuss and present a strategic perspective on Kuwait.
Contact: Strategic Investment Forum Ltd. Tel: 071 548 9919. Fax: 071 895 1366.
LONDON

OCTOBER 21-22
The Retrenchment in Defence Spending and How to Live Through it
As all the major Western countries plan reduction in their defence budgets, this conference focuses on strategies for survival for defence manufacturing companies. Contact: Jo Bradley, The Economist Conference Unit, 071 493 [redacted]
GLENEAGLES, SCOTLAND

OCTOBER 22
[redacted] BUSINESS IN GERMANY
A comprehensive guide to corporate [redacted] Sponsored by: Coopers & Lybrand Europe and Carré, [redacted] & Partners. Covering the strategic legal, M&A, accounting and personnel differences when compared to the UK. Contact: FIBEX. Tel: 071 489 9944 Fax: 071 236 [redacted]
LONDON

OCTOBER 22
INTERNATIONAL [redacted] OF THE [redacted] OF [redacted] TEHCNOLOGY
Convened by the Royal Institute of International Affairs. To be held at The Cafe Royal, London. Enquiries RIIA Conferences. Tel: 071 957 5700 Fax: 071 957 5710.
LONDON

OCTOBER 22
[redacted]RCIALISING THE I.T. DEPARTMENT
Examines the arguments for and against different forms of commercialisation and explores key factors in successfully making the transition. Contact Business Intelligence. Tel: 081 944 1591, Fax: 081 944 0332
LONDON

OCTOBER 28
Managed Futures Funds - The [redacted] trading advisor
Speakers from the SFA, Refco International[redacted]ical and Medical, John [redacted] and [redacted] Looks at the US experience of CTAs and the potential for development of trading advisors in Europe.
Futures and Options World (081) 330 43[redacted]
[redacted]

OCTOBER 28-29
4TH ANNUAL PHARMACEUTICAL CONFERENCE 1991
[redacted] conference, chaired by Sir Barney Hayhoe, will address topical issues and significant developments affecting the pharmaceutical industry. There will be a keynote address by Virginia Bottomley, Minister for Health.
The Langham Hilton. Contact: [redacted] McClean, Management Forum.
Tel: (0483) 570099
LONDON

OCTOBER 30
Activity Based Cost Management: The Direction for Financial Services in the 90s?
CBI/DEVELIN[redacted] PARTNERS CONFERENCE
Centre Point, London
Contact: Sandra Aldred, CBI Conferences Tel: 071-379 7400 Fax: 071 497 3646
LONDON

OCTOBER 30
CONDUCTING BUSINESS [redacted]
A seminar des[redacted] for senior executives responsible for their company's international activities. Aspects covered include legal, banking, financial reporting, taxation, marketing, joint ventures and acquisitions.
Forte Crest St James's. Contact: [redacted] McClean, Management Forum. Tel: [redacted] 570099
LONDON

NOVEMBER 11
[redacted] Annual Irish Corporate Finance Conference
Corporate Strategy, 12 November - Treasury Management, Hotel Conrad, Dublin. For fortehr details please contact Clare Lewer, Business Research International on 071-637 4383
DUBLIN

NOVEMBER 14 & 15
World Electricity
Hotel InterContinental, London
Enquiries: Financial Times Conference Organisation Tel: 071-925 2323 Fax: 071-925 2125
LONDON

NOVEMBER 14 [redacted] 15
Implementation of restraints on trade in chemical and biological weapon materials, nuclear-related goods and missile technology. COCOM Core List. Linda McKay. IBC 071 637 4383
LONDON

NOVEMBER 18
Guarantees - The Problem Areas
Obtaining and constructing a guarantee. Transactions at undervalue/preferences. Guarantees in Insolvency. Special feature - Case Study on a property industry transaction.
Linda McKay IBC 071 637 4383.
LONDON

NOVEMBER 18 & 19
Selfridge Hotel, London. Learn how to expand your portfolio and improve your performance, covering international equities and bonds and other investment markets. For further details contact Joyce [redacted] Business Research International 071 637 4383
LONDON

NOVEMBER 19
GOING PUBLIC - TO FLOAT OR NOT TO FLOAT
The pros and cons of going public, factors in deciding whether to float; the stock market mechanism; alternative courses of action for growing companies. CIPFA Training Centre, London. Contact Mandy Parker 071 833 3291. [redacted]
LONDON

NOVEMBER 20-21
1991 NATIONAL CONFERENCE ON INTEGRATED POLLUTION CONTROL FOR THE [redacted] INDUSTRIES. The economic realities of IPC regulations - the pitfalls vs the potentials. Convert [redacted] demands into financial o[redacted]ities. Contributions across the [redacted] government and regulating authorities to environmentalists and leaders in the industry. Contact: Customer Services, IIR Scientific & T[redacted]cal Division, 071 587 1117
LONDON

NOVEMBER 25 [redacted] 26
IT OUTSOURCING [redacted] MANAGEMENT
A review of IT Outsourcing and Facilities management in the 1990's by some of the leading experts in the marketplace.
Conference [redacted]: IIR Scientific [redacted]
Contact: Customer Services on 071 587 1117
LONDON

NOVEMBER 27
[redacted] Management Accounting
The [redacted] Hotel, London. [redacted] include: Activity-based management, Performance measurement, Shareholder Value and Throughput Accounting. Organised in association with CIMA. For further details, please contact Mary [redacted] Business Research International on 071-637 4383.
LONDON

NOVEMBER 29
THE 1991 INSURANCE INDUSTRY CONFERENCE - RETURN TO PROFIT - ACCELERATING THE RECOVERY
Find out what insurance companies can do to measure and improve results; and the key role that [redacted] be played by the finance function. Presented by [redacted] figures from the insurance industry. Cavendish Conference Centre, London. Contact: Mandy Parker 071 833 3291
LONDON

DECEMBER 2 & 3
Health Care - The Changing UK Market
Hotel InterContinental, London.
Enquiries: Financial Times Conference Organisation
Tel: 071 925 2323
Fax: 071 925 2125
LONDON

NOVEMBER 13-14
IST CEPT RADIO CONFERENCE
Organised by the European [redacted] office. A NEW FRAMEWORK FOR SPECTRUM MANAGEMENT IN EUROPE. Enquiries: ERO, Islands Brygge 81, 6th Floor, DK-2300 Copenhagen S., Denmark. Tel: (45) 32961819 Fax: (45) 3296113
COPENHAGEN

NOVEMBER 14-15
2ND European SPRINT-EACRO Conference: Technology Co-Operation to Match Global Competition. Examines how better use of technology and research funding can be developed in Europe. Enquiries: Carol Jopling, ERA Technology Ltd, Tel: 44 372 374151 Fax: 44 372 [redacted]
SEVILLE

NOVEMBER 21 & 22
Pa[redacted]otel, Schonbrunn, Vienna.
For further details please contact Mary Parker-Jervis, Business Research [redacted] on 071-637 4383.
VIENNA

NOVEMBER 25 [redacted] 26
Frankfurt Intercontinental, Germany.
For further details please contact Clare Lewer, Business Research [redacted] on 071-637 4383
FRANKFURT

NOVEMBER 27-29
Looking at the growing import/export opportunities in the Pacific Rim. Speakers from major companies in the region discuss all aspects of trade and investment in this dynamic market. Parallel [redacted]ibition. Rory Brown, Metal Bulletin (081) 330 4311
HONG KONG

DECEMBER 2-3
ENVIRONMENTAL PROTECTION CONFERENCE - STRATEGIC AND COMPETITIVE IMPLICATIONS FOR THE CHEMICAL INDUSTRY
Senior executives from Europe and the USA analyse the challenges and opportunities in developing constructive solutions to current environmental problems. Organisers: Chemical Insight, European Chemical News, Booz Allen & Hamilton & IIR. Contact: IIR Scientific & Technical Division, Customer Services on [redacted] 1117.
BRUSSELS

OVERSEAS

OCTOBER 16-18
INTERNATIONAL TOURISM CONFERENCE - DESTINATION RESORTS - TRENDS AND INNOVATIONS. [redacted] for promoters investors and managers as well as local government officials who are planning development and investment in the leisure sector. Contact: Mr Marcel Hug, Suter & Suter, Basel, Switzerland. Phone: [redacted] 275 7575 Fax: 4161 2757474
SOUTH CAROLINA, USA

OCTOBER 16-18
INVESTING IN EUROPEAN MEDIA
A pan-European media conference addressing investment opportunities, financing, and public vs. private market value of European media companies. The St Regis Hotel - [redacted] York City Contact: Kagan World Media. Tel: 071 403 8786 Fax: 071 403 8715
[redacted] YORK CITY

OCTOBER [redacted]
Competitive Intelligence Objectives. Systems. Techniques and Analysis. [redacted] presented by Kirk Tyson, author of C[redacted] Intelligence Manual & Guide. Hotel Baur Au Lac. Zurich. Also in London 4-5[redacted].
Contact: IIB SA (Geneva)
Tel: (41) 22 788 2751
Fax: (41) 227 788 3726.
ZURICH

NOVEMBER 4-6
INTERNATIONAL PM AEROSPACE MATERIALS CONFERENCE/WORKSHOPS
46 Expert presentations from [redacted] countries on particulate metallurgy (PM) superalloys, intermetallics, lightmetals, and metal matrix composites for advanced aero engine and airframe compoents. (Includes exhibition [redacted] PM products) Enquiries: MPR Publishing (UK) Tel: (44) 743 364675 [redacted]
LAUSANNE, SWITZERLAND

NOVEMBER 6-7
SECOND INTERNATIONAL CONFERENCE ON THE AUTOMOTIVE INDUSTRY AND THE ENVIRONMENT
Presenting the latest developments in Traffic Policies [redacted] Management; Automotive Materials; Fuels & [redacted] & Strategic Management. 30 international speakers will identify ways to integrate increasing transport demands with legitimate environmental concerns. Contact: Customers Services, IIR Scientific & Technical [redacted] 071-587 1117
BRUSSELS

EXHIBITIONS

OCTOBER 1-3
EUROPEAN BUSINESS AIR SHOW
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THE WEEK AHEAD

ECONOMICS

August retail sales statistics could help clarify UK recovery prospects

GENERAL election fever [redacted] somewhat in the UK last week [redacted] unemployment figures for August registered another big rise and the infla[redacted] figures came in a bit worse than the markets had expected.

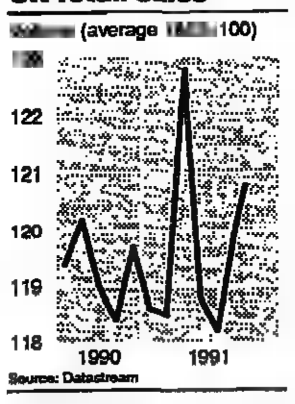
A rash of rights issues, prof[redacted] warnings and bankruptcies overshadowed government [redacted] that the [redacted] was back [redacted] and the predicted second-half recovery well on the way. But more [redacted] about [redacted] real [redacted] today should help clear the picture.

August's [redacted] volumes will [redacted] taken apart for signs that a recovery has begun on Britain's high streets, in spite [redacted] by retailers [redacted] discount goods [redacted] stimulate trade.

[redacted] Ruth Lea, Mitsubishi [redacted] economist, supports [redacted] government's [redacted] sales are [redacted] on [redacted] upward trend, boosting hopes [redacted] a consumer-led recovery. July's vol[redacted] were revised up [redacted] sharp 0.7 per [redacted] increase, after June's buoyant 1.5 per [redacted] rise. [redacted] projects a [redacted] per cent increase for August, slightly above the [redacted] of [redacted] compiled by MMS International, the finance research company.

UK retail sales

[redacted] (average [redacted] 100)



Source: Datastream

Industrial production output is also on [redacted] up, suggesting [redacted] underlying improvement on [redacted] supply [redacted] Though manufacturing output [redacted] July [redacted] pre[redacted] to be flat, [redacted] declining for [redacted] year, the overall production index [redacted] predicted to [redacted] following a jump [redacted] output in the North [redacted].

In the US, the Federal Reserve's easing [redacted] monetary [redacted] on Friday after the sharpest fall in retail [redacted] months [redacted] help [redacted] recovery along. There [redacted] inflationary danger as inflation [redacted] on [redacted] downwards path since peaking [redacted] autumn.

A modest recovery in the manufacturing sector is [redacted]ted in the output [redacted] for August, while the forward-looking [redacted] index "[redacted] already picked up sharply and suggests a steady improvement in output growth," according [redacted] Mr Neil Mackinnon, economist [redacted] Yamaichi International, the Japanese securities house.

But he pointed out that growth in the US economy remained "unbalanced" with consumer spending in the doldrums.

In Japan, [redacted] national product data for the [redacted] quarter [redacted] expected to [redacted] weakness in personal consumption, [redacted] by buoy[redacted] in exports.

Other important events [redacted] statistics, with [redacted] market forecasts [redacted] MMS in brack[redacted] include:

Today: Switzerland, Bank Holiday in Zurich. UK, August retail [redacted] (down [redacted] per cent), July industrial production (0.5 [redacted] cent), manufacturing output (flat), July unit labour [redacted] (9.3 per cent, three-month average). France, August preliminary consumer prices index (CPI) [redacted] per cent). [redacted]den, August trade balance. Denmark, August CPI. Canada, July inventories [redacted] shipments ratio, July unfilled orders. US, July business inventories (down [redacted] per cent).

Tomorrow: US, August industrial production (0.5 per cent), capacity utilisation (80 per cent). UK, August public sector borrowing. Japan, July industrial production. Australia, second quarter manufacturing production index.

Wednesday: US, Federal [redacted] Tan Book [redacted] October meeting of [redacted] Open Markets Committee. France, draft finance bill [redacted]ented [redacted] weekly Cabinet meeting. US, housing [redacted] for August (1.05m), building permits.

Thursday: US, July merchan[redacted] trade [redacted] (down 5.2), merchandise exports (£35bn) initial claims, money supply. UK, August mosney supply, [redacted] lending. Japan, August money supply.

Friday: Japan, July personal consumption expenditure, personal income. New [redacted] second quarter [redacted].

Rachel Johnson

RESULTS DUE

GERALD RATNER will certainly regret his recent throwaway [redacted] on the quality of one product sold by his jewellery [redacted] when interims [redacted] announced [redacted] week. [redacted] less-than-flattering joke about a sherry decanter turned some people away from Ratners, although some probably [redacted] next door [redacted] separate "upmarket" [redacted]

The group [redacted] a whole [redacted] expected [redacted] announce [redacted] Monday a plunge [redacted] loss, compared [redacted] profit last [redacted]. Heavy losses in the UK are likely [redacted] main rea[redacted] behind [redacted] plunge.

Kingfisher [redacted] expected [redacted] show on Tuesday [redacted] decline from £65.4m [redacted] about £60m, mainly because of [redacted] sharp drop in profits from property [redacted]opment. However, deepening [redacted] Woolworths and [redacted] will [redacted] contribute [redacted] the fall.

Tesco, [redacted] day, will perhaps thave he [redacted] news in the food and retailing [redacted] with profits forecast [redacted] to [redacted] the first half. However, [redacted] rights [redacted] in January [redacted] earnings [redacted] expected [redacted] just [redacted] per [redacted] to 8.1p.

On Tuesday Fisons, [redacted] pharmaceutical and horticultural products group, is [redacted] to report interim pre-tax profits [redacted] £105m, up [redacted] per cent [redacted] year, giving [redacted] of 11.7p, up 12 [redacted] on [redacted] interims.

Guinness, the international drinks group, [redacted] likely [redacted] report on Thursday interim taxable profits of £350m compared to last year's £323m. The expected [redacted] per cent increase, while [redacted] sparkling as [redacted] per cent [redacted] during the comparable period, was achieved against difficult trading conditions, which [redacted] the Gulf War.

It [redacted] trading has [redacted] rough for Hawker Siddeley, making for slim [redacted] will [redacted] any lift in interim profits [redacted] be announced [redacted] Thursday. [redacted] City [redacted] looking for pre-tax prof[redacted] around £60m, although [redacted] analysts [redacted] taking their [redacted] further. This is substantially down [redacted] the last interim, stripping out heavy contracting losses suffered then.

The [redacted] recession [redacted] expected to have taken a further toll on APV, [redacted] food manufacturing equipment which [redacted] sharp deterioration in the [redacted] of last year.

A 40 per cent fall in interim pre-tax profit [redacted] £15m including [redacted] restructuring costs is [redacted] the cards.

[redacted] of more pain in the construction [redacted] can [redacted] expected next [redacted] when it is [redacted] turn of Rugby on Monday [redacted] RMC on Thursday [redacted] announce interim results.

The [redacted] half, [redacted] has [redacted] shown by [redacted] figures from broadly based contractors, [redacted] developers, [redacted] dreadful – particularly the [redacted] three months [redacted] the [redacted] winter [redacted] restricted output.

[redacted] for Rugby, [redacted] only [redacted] British [redacted] manufacturers, suggest [redacted] company will be [redacted] break £20m for [redacted] first half compared with [redacted].

[redacted] RMC, the world's largest ready-mixed [redacted] company, are forecast [redacted] £65m and £75m compared with £109.3m in the first half of 1990.

Recession aside, Morgan Crucible, the [redacted]als group reporting [redacted] Monday, could show interim pre-tax profits up slightly [redacted] £29m.

UK COMPANIES

■ TODAY

[redacted] MEETINGS:
Benchmark, Ramada Hotel, 10, Berners [redacted] W., [redacted]
Electron House, Howard Hotel, Temple Place, W.C., 11.30
Excalibur, Excalibur House, Park Lane, Birmingham, 11.00
Lister, Manningham Mills, Lilycroft [redacted] 12.00
Menvier-Swain, Astley [redacted] Indl. Estate, Swillington, Leeds, 2.30
Murray Smaller [redacted] Trust, 7, [redacted] Nile [redacted] Glasgow, 12.15
Norbain Electronics, [redacted] House, 14-16, Bolton Road, Reading, 10.00

BOARD MEETINGS:

Finals:
Control Securities
Dalgety
FII Group
Kingfisher
Scholes
Second Alliance Trust
Thompson Clive Invs.

Interims:
[redacted] Property
[redacted] Intl.
EIS
FBD
Fisher (James)
[redacted]
Huntleigh Tech.
Inchcape
Irish [redacted]
Lopex
Medeva
Metsec
Morgan Crucible
Olives
Quicks
Ransomes
Ratners
Rugby
Russell (Alexander)
Tibbett [redacted] Britten

■ TOMORROW

[redacted] MEETINGS:
British Bloodstock Agency, Queensbury House, 129, High [redacted] Newmarket, 12.00
Firth [redacted] Cedar Court Hotel, Wakefield, 11.45
[redacted] Water, Assembly Rooms, Bennett Street, Bath, 11.00
Westport, [redacted] Hotel, Brookmans Park, Hatfield, Herts., [redacted]

BOARD MEETINGS:

Finals:
[redacted]

Interims:
[redacted] Bros.
Brit. Polythene
Brixton [redacted]
CI
Clyde Petroleum
Colorgraphic
Fisons
Jeyes
MB-Caradon
[redacted] Trust
Proudfoot (Alexander)
SWP
Sema
Tesco
Trinity Intl.
United Friendly
Watmoughs

■ WEDNESDAY SEPTEMBER 18

[redacted] MEETINGS:
[redacted] Mew, The Cloisters, Ivy [redacted] Salisbury, Wilts, 3.30
JS Pathology, [redacted] N.W., 12.00
Merchant Retail, [redacted] Chandlers Hall, 4, Dowgate Hill, E.C., [redacted]
[redacted] Electricity, National Exhibition Centre, Birmingham, 11.00
Misys, [redacted] Hall, St. Mary at Hill, E.C., 12.00
[redacted] Electricity, English [redacted] Centre, Torquay, 2.00
Tyndall Hldgs., Plaisterers Hall, 1, London Wall, E.C., 12.00

[redacted] MEETINGS:

Finals:
Alumasc
Community Hospitals
[redacted]

Interims:
Abbott Mead [redacted]
Blockleys
Bowthorpe
Calor
Fitch [redacted]
Kwik-Fit
[redacted] Forfaiting
MMI
North [redacted]
[redacted] Trust
[redacted] Furniture
Steel Burrill [redacted]
[redacted] Indemnity
Worcester

■ THURSDAY SEPTEMBER 19

[redacted] MEETINGS:
[redacted] Electricity, Wembly Conference [redacted] Empire Way, Wembly, 11.00
MITIE, Stable Block, Barley [redacted] Wrington, Avon, [redacted]
Manweb, The Roodee, [redacted] Racecourse, [redacted], 11.00
NMC, Honourable Artillery Co., Armoury House, City, Road, E.C., 12.00
Tomkins, Hyatt Carlton Tower, Hotel, S.W., 11.30
[redacted] Carpet, Green [redacted]

[redacted] MEETINGS:

Finals:
Dowding & Mills
Foreign [redacted] High. Inc.
GT Venture Inv.
[redacted]
SelecTV
Waterman Partnership

Interims:
APV
Appleya[redacted]
[redacted] (Charles)
Bemrose
Bentalls
Boustead
Comac
Folkes
Goal [redacted]
Guinness
[redacted]
Highcroft Inv. Trust
Laporte
Magnolia
Morrison (Wm.)
Supermarkets
RMC
Sindall (Wm.)
Spring Ram
Taveners
Telemetrix
UniChem

■ FRIDAY SEPTEMBER 20

COMPANY MEETINGS:
Aerospace Engineering, Blunsden House Hotel, Blunsden, Swindon, Wilts, 12.15
Assoc. British Engineering, 30-32, St. Mary Axe, E.C., 10.00
Assoc. British Foods, Connaught Rooms, Great Queen Street, W.C., 11.00
[redacted] (Sidney C.), Bedford Moat House Hotel, [redacted] 12.30
Jupiter Tarbutt Merlin, Knightsbridge House, 197, Knightsbridge, S.W., 12.00
[redacted] (William), 104, Bancroft, Hitchin, Herts., 3.00
Tinsley (Eliza), Birmingham Chamber of Industry & Commerce, 75, Harborne [redacted] Birmingham, 11.30

BOARD MEETINGS:

Finals:
[redacted]
[redacted] (Frank)

[redacted]
Breedon
Cresta
Independent Newspapers
Liberty

Company meetings are [redacted] general meetings [redacted] otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Agricultural Mortgage Corp. 7¼% [redacted] 3.875pc.
[redacted] Corp. (Rts. [redacted] buy Pfd.) [redacted]
[redacted] 4.2% (Fmly. 6%) [redacted] 2.1pc.
Citicorp [redacted] Finance Corp.
NV [redacted] Fltg. [redacted]
[redacted]
Creighton's Naturally 4.4p
[redacted] Corp. [redacted]
[redacted] 3.8p
FKI 1.3p
FPL [redacted]
[redacted] Tech. [redacted]
Honeywell [redacted]
Ryan [redacted] 0.5p
Stanley Leisure 3.05p
Thompson Corp. 11.3cts.
Tokyo Leasing (UK) [redacted] 1995 [redacted]
Treasury 2% IL [redacted]

■ [redacted]

Anglo & [redacted] Tst. 1.75p
[redacted] Invs. Ptg. Red. Prf. 842
[redacted] Durrant [redacted]
Louisiana Land & Expln. [redacted]
Reuters 4.7p

■ WEDNESDAY SEPTEMBER 18

Bullough 1.75p
[redacted]
Kewill Systems 5p
Leumi Intl. Invs. [redacted] Fltg.
[redacted] Nts. [redacted]
[redacted] Index Tst. 1.25p

■ THURSDAY SEPTEMBER 19

Birmingham Midshires Bldg. [redacted] Fltg. [redacted] 2005 £62352.05
CMW 0.9p
Christiania Bank [redacted] Fltg. [redacted]
[redacted] Permanent Bldg. [redacted] Fltg. [redacted] Nts. [redacted]
Oil [redacted] Natural [redacted] Gtd. Fltg. [redacted] Nts. 1996 [redacted]
Pfizer 33cts.
Ransomes [redacted]
Svensk [redacted] AB Fltg. [redacted]
Nts. 1992 $511.11
Toray [redacted] 7.2% [redacted] 3.6pc.
Treasury 11½% [redacted] 5.75pc.

■ FRIDAY SEPTEMBER 20

[redacted] Aluminium 15cts.
[redacted]
[redacted] Bnkg. Corp. Fltg. [redacted] Nts. 1996 [redacted]
[redacted] 2000 3.65pc.
Enron Corp. [redacted]
Exchequer 10½% 2005 5.25pc.
[redacted] Fd. 0.5p
[redacted] Intl. [redacted] Fd. 0.8p
[redacted] (Harry) 1p
[redacted] Und. Prim. cap. Fltg. Rate [redacted] £144.14
[redacted] & Lyle Intl. Fin. 5¾% [redacted] Bds. 2001 2.875pc.
Triplex Lloyd 4.5p

■ SUNDAY SEPTEMBER 22

Exchequer 13¼% [redacted] 6.75pc.

CONTRACTS & TENDERS

LEGAL NOTICES

WARWICK SYSTEMS LIMITED IN ADMINISTRATIVE RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named companies will be held at The Grand Hotel, Colmore Row, Birmingham on Friday 27 September 1991 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than noon on 26 September 1991, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 9 September 1991

Ian N Carruthers and David R Wilson
Joint Administrative Receivers

IN THE MATTER OF [redacted] LIMITED TRADING AS [redacted] AND IN THE MATTER OF THE INSOLVENCY ACT 1986

[illegible]

IN THE MATTER OF PAUL RAY PAPER SERVICES LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

[illegible]

RENTALS

COMPANY NOTICES

BRADFORD & BINGLEY BUILDING SOCIETY

[redacted]

Floating Rate Notes due 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 13th September, 1991 to 13th December, 1991 has been fixed at 10.25781% per annum. The interest payable on 13th December, 1991 against Coupon 2 will be £255.74 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

CLUBS

PERSONAL

Letter from New York

A long, green summer

This has been a green summer in New York. Not green in the European environmental political [redacted] but in the more traditional way of viewing gardens. Included [redacted] the masters of 20th-century Modernism, like Picasso, Balanchine [redacted] Le Corbusier, is the 82-year-old Brazilian landscape architect, Roberto Burle Marx.

By employing ingredients from all the other arts – light, colour, motion, sound and structure – in the service of garden design, he made the kind of creative leap, without reference [redacted] the past, [redacted] makes an art form totally new. He is clearly the Le Nôtre of our times.

This summer, [redacted] exhibition ever on a landscape architect, the Museum of Modern Art sponsored *Roberto Burle Marx: The Unnatural Art of the Garden*, a small display of his early drawings along with plans, models and photographs of ten major landscapes out of the almost 3000 he has designed, some only on [redacted] drawing board. The most impressive exhibit of all was *the slide lecture delivered by* Burle Marx in person that gave a rare *aperçu* into the way simple yet fortuitous events ignite genius. For Burle Marx, who was born [redacted] São Paulo and now [redacted] Janeiro, [redacted] was a visit at age 19 to the Dahlem Botanic Garden in Berlin where he first saw a collection of rare Brazilian plants. A plant collector from age seven, he now houses at his home in Campo Grande almost 3500 different native plants.

Dedicated to saving the flora of the Amazon Basin and the first to use [redacted] species in designed gardens, Burle Marx in no way tries to recreate or [redacted] mimic their natural [redacted] Instead, the brilliant tones and lush foliage became *for him what the curator of the* show, William Howard Adams, calls the "raw materials" of his [redacted] just as [redacted] reinforced [redacted] architects [redacted] the modern movement.

First he observes how [redacted] plant grows in nature [redacted] it *becomes "an actor,"* as he [redacted] it, [redacted] gardens. A painter, muralist, sculptor, architect and [redacted] designer, as well as an exemplary botanist, he draws on all these talents. He begins with multicoloured garden plans, many with kidney-shaped planting beds that resemble the later cut-outs of Matisse or the paintings of [redacted] Arp.

Long known for such public landsca[redacted] the [redacted] mosaic [redacted] red, white and black tiled *promenade that mirrors* the crashing surf along [redacted] Copacabana Beach, he emerged in [redacted] exhibition [redacted] summate creator of garden [redacted] tings. There is something finally ecological in [redacted] spreading [redacted] his [redacted] water lilies, *bromeliads* [redacted] *palms, particu*larly [redacted] one garden overlaying the ruins of a coffee plantation [redacted] Vargem Grande. [redacted] bath [redacted] incorporated in a [redacted] pools [redacted] cascades, [redacted] "liquid sculptures."

The catalogue [redacted] written by Adams, expands an [redacted] various [redacted] carries [redacted] important [redacted] in [redacted] World. (Scheduled [redacted] internationally, the [redacted] will [redacted] at [redacted] Mendosa Foundation, Caracas, Venezuela, in January [redacted]

*

[redacted] of Roberto Burle Marx's garden plans in [redacted] on cardboard [redacted] figure [redacted] an exhibition [redacted] the [redacted] Protetch Gallery simply [redacted] *Green*, which [redacted] drawings [redacted] by [redacted] architects, landscape architects [redacted] artists who design gardens or garden structures (until September 28).

What makes this show of 26 pieces challenging is its diver*sity as a travelogue of ideas* and places. One need only see the realty of summer roof gardens on the Manhattan skyline [redacted] appreciate Roger Ferri's fantasy proposal of [redacted] tree-like tower sprouting leafy [redacted] Wines's design for a *Japanese cultural centre* [redacted] Paris [redacted] glass [redacted] gardens blur [redacted] distinction between inside and outside.

In Elyn Zimmerman's "[redacted] bar", both [redacted] drawing [redacted] model, [redacted] boulders [redacted] by [redacted] channel [redacted] represent a [redacted] sculptured [redacted] akin [redacted] Noguchi's fountain [redacted] stage sets. Bar[redacted] Solomon, in drawing Castle H[redacted] its gardens in coloured pencil, uses *mapping techniques*, [redacted] personal mem[redacted] to [redacted] place. In [redacted] even more [redacted] the [redacted] and the past [redacted] dream-like drawing [redacted] an archaic [redacted]scape, a seductive [redacted] *of orchards* [redacted] obelisks, [redacted] capitals [redacted] ruin. [redacted] in small, [redacted] birdcage-like [redacted] called "[redacted] Gazebos," [redacted] Armajani [redacted] exploration of [redacted] in [redacted] landscape, [redacted] 19th-century [redacted] are [redacted] quite [redacted] real enough [redacted] one mentally [redacted] enclosure.

*

[redacted] aspect of [redacted] in a [redacted] of [redacted] *Illustrating* [redacted] *The Art of Botany* [redacted] Academy [redacted] Design (until early October) [redacted] the [redacted] York [redacted] by displaying 95 works from its vast library. Botanical drawings have l[redacted] been [redacted] staple of [redacted] drawing [redacted] well [redacted] laboratory, but here [redacted] survey of [redacted] reaches [redacted] into [redacted] exploration and history of American territories in the mid-19th-century.

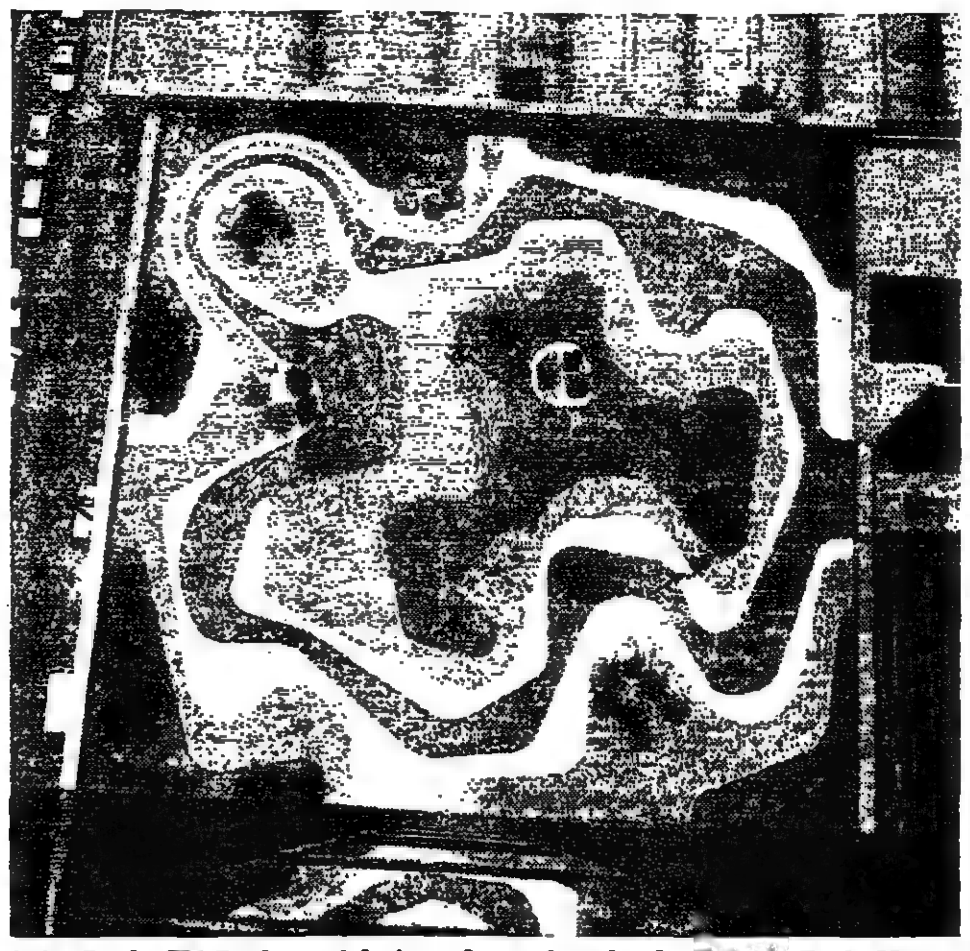
[redacted] *photographic* technique [redacted] replaced [redacted] of [redacted] artist's [redacted] in reproducing petals, stamens, pods [redacted] for [redacted] record, [redacted] for comparison [redacted] every stage from [redacted]cilled field [redacted] ink drawings to [redacted] watercolours. [redacted] railroad expanded westward, naturalists were [redacted] vanguard [redacted] record the succulents and cacti of the [redacted] open [redacted]

Among [redacted] the prolific [redacted] artists [redacted] Garden [redacted] Mary Emily Eaton, who [redacted] porcelain design in her [redacted] England [redacted] drawing [redacted] in [redacted] before [redacted] out hundreds of botanical drawings from 1911 to 1932, including [redacted] tulips [redacted] cus on view. One series [redacted]*trating a study of new* [redacted] of day [redacted] transformed [redacted] flowers from, the curators note, "a roadside [redacted] garden favourite."

One [redacted] volumes [redacted] exhibition is [redacted] study of [redacted] America by Nathaniel Lord Britton, [redacted] was [redacted] the founders of the New York [redacted] Garden in [redacted] A botany professor, [redacted] and [redacted] wife returned [redacted] their honeymoon in England [redacted] dering why [redacted] York [redacted] an institution [redacted] Royal [redacted] Gardens [redacted] years later, [redacted] Garden's president, Gregory Long, [redacted] the 250-acre park [redacted] the [redacted] museum of plants. [redacted] also represents a [redacted] tory [redacted] American landscape *design from the* [redacted] by [redacted] a rose garden planned by [redacted] Jones [redacted] in [redacted] perennial garden by Lynden Miller.

[redacted] the largest herbarium [redacted] the world, many specimens [redacted] sewn [redacted] mounts, [redacted] a [redacted] research institution [redacted] scien[redacted] working [redacted] recording disappearing plant specimens [redacted] studying [redacted] by [redacted] local [redacted] medicinally can be applied [redacted] current [redacted] research. [redacted] community garden programme that has transformed vacant [redacted] flower [redacted] vegetable gardens [redacted] York [redacted] place [redacted] live.

Paula Deitz



Safra Bank, S[redacted]o Paulo: aerial view of a roof garden by [redacted] Burle Marx

[redacted] *Amery* [redacted]

White Oak Dance Project

PHILADELPHIA

Now 43 and with a chronic knee injury, Mikhail Baryshnikov has given up the big classical roles, but he is clearly not ready to stop dancing. During his years at American Ballet Theatre, he used to go out on tour during layoffs with a small group [redacted] from that company and elsewhere, with a mixed repertory. Since [redacted] quit his post as artistic director of ABT, he has formed a small ad hoc touring group called the [redacted] Oak Dance Project – after the estate on the border of Georgia and Florida belonging to Howard Gilman, a long-time Baryshnikov supporter, where the company rehearses. It has just completed its third tour, with a penultimate performance [redacted] the Mann [redacted] Center in Philadelphia (so far, it has not played New York City.)

The personnel of the company, a dozen or so dancers from ballet and modern dance companies, especially that of Mark Morris, has changed from one tour to another. All the choreography has been by Morris, including two works made especially for White Oak, *Motorcade* (to the Saint Saëns Septet for piano, trumpet, and strings) and, replacing it in the most recent tour, *A Lake* (to Haydn's Horn Concerto No 2 in D major). *Going Away Party*, an instant classic when it was first given by the [redacted] Dance Group/Mark Morris in Brussels in April 1990, was in the repertory [redacted] the first White Oak tour. This time, the performance benefited from [redacted] of more members of Morris's own company than before, especially Morris himself in [redacted] man out. Baryshnikov was [redacted] in [redacted] role: he [redacted] quite [redacted] as if he belonged in Texas. [redacted] brings [redacted] an exquisitely judged elegiac touch, without disturbing the balance of the affectionate and the ribald.

Baryshnikov danced in all the other pieces on the programme. [redacted] made [redacted] early solo, *Ten Suggestions*, completely his own, starting with a crisp double tour *en l'air* and [redacted] sketching [redacted] and [redacted] suggested by [redacted] as a hoop, a chair, a length of ribbon, a topee – and by the Alexander Tcherepnin "Bagatelles" to [redacted] piece is set. In *Deck of Cards*, [redacted] pieces to country-and-[redacted] music, Baryshnikov brings a fanatic gleam to a song about a GI [redacted] a Biblical interpretation [redacted] his pack [redacted] cards. In the [redacted] that [redacted] up this work, [redacted] in travesty, [redacted] performance as powerful as his impersonation [redacted] the tragic queen in Purcell's *Dido and Aeneas*.

The opener, *Canonic 3/4 Studies* (1982), [redacted] series of [redacted] jokes [redacted] of [redacted] piano [redacted]. The little pas de trois [redacted] rings [redacted] on [redacted] the earlier alternately [redacted] the two danseuses reminds me of Ashton's *Tweedledum and Tweedledee*. Baryshnikov proves to [redacted] master of deadpan comedy here, which cannot be [redacted] for all the company, [redacted] of whom telegraph the jokes.

A Lake, the new piece, does [redacted] the striking originality of Morris's masterpiece *L'Allegro, Il Penseroso ed Il* [redacted] – it's in a rather Paul Taylorish vein, in fact. But [redacted] musicality shows [redacted] in [redacted] as a [redacted] in the [redacted] cadenza, danced by Baryshnikov, when the horn [redacted] like a [redacted] echo and [redacted] women [redacted] in suspended jetés, echoing one of [redacted] movements. The adagio, in which one dancer after [redacted] falls in a swoon, to be caught by others, [redacted] beautiful and moving. The [redacted] and witty [redacted] Johnson, formerly with the Taylor [redacted] *all three* [redacted] Oak tours, again [redacted] an [redacted] partner for Baryshnikov.

David Vaughan

Cristoforo Colombo

ALTE OPER, FRANKFURT

The 19th century produced at least five operas [redacted] subject of Columbus; the 20th century those of Milhaud and Egk. One wonders what [redacted] year's [redacted] anniversary holds in store. In 1892, Genoa held an operatic competition in [redacted] our of [redacted] famous [redacted], and [redacted] winner was Alberto [redacted] (1860-1942), whose work has just been revived [redacted] two hugely rewarding concert performances at the Frankfurt Festival.

Franchetti [redacted] rank as one of the also-rans of operatic history, but *Cristoforo Colombo* is testimony [redacted] undoubted talent. Born in Turin, [redacted] had private means to support extensive study in Dresden and Munich. the influence of [redacted] can [redacted] detected in [redacted] work's precise dramaturgy, as well as [redacted] Mendelssohnian orchestral textures and the Wagnerian tone-painting of bass clarinet, trombones and [redacted] bass.

[redacted] *Cristoforo Colombo* – [redacted] acts and an epilogue, [redacted] by Luigi Illica – [redacted] nonetheless a full-blooded [redacted] grand opera, dominated by tableaux of Meyerbeerian design and proportion, skilfully interwoven with passages of warm, refined lyricism. In the Genoa competition, Verdi's approval is said [redacted] have swung the jury in Franchetti's favour. [redacted] conducted [redacted] of the opening run [redacted] also the [redacted] revival. The [redacted] was subsequently heard in German in Hamburg and Prague, [redacted] Titta [redacted] sang the title part in [redacted] Carlo, [redacted] Aires, Philadelphia and Chicago.

Listening to this disciplined, poetic performance by the Frankfurt Radio Symphony Orchestra and Budapest [redacted] Choir under Marcello Viotti, it was [redacted] understand the work's early popularity. It shares some of the Mediterranean [redacted] air and tragic grandeur of *Simon Boccanegra*. It is an open invitation to spectacle (Verona and Earl's Court please note). There is also a well-characterised exotic [redacted] in the Act three Mexican setting, with a fiery soprano aria [redacted] the Indian princess Anacoana. Franchetti [redacted] commandingly between gentle arioso [redacted] dramatic crescendo. Indeed, [redacted] instrumental and choral writing repeatedly [redacted] the imagination, with rich polyphonic [redacted] and grateful woodwind obbligatos.

Why, then, [redacted] *Cristoforo* [redacted] such long neglect? Its festival character no [redacted] has something to do with it: Franchetti [redacted] no attempt [redacted] "sell" the opera with a [redacted] sub-plot, but it [redacted] heavy demands on casting, [redacted] only [redacted] and the bass role [redacted] (the Spanish knight who acts as the hero's evil counterpart) have a [redacted] evening's work. Most [redacted] the action [redacted] well-populated set-pieces, and [redacted] Boccanegra [redacted] the Foscari doge, we never really pierce the historical figure of Columbus, despite a long and moving [redacted] scene [redacted] the tomb [redacted] Queen Isabella of Spain.

The Frankfurt performance found Renato Bruson in [redacted] voice, though unable [redacted] slice through the ensembles [redacted] Ruffo might have done. *But the casting was right: there is no melodrama in the part*, and Bruson did not try to inject any. [redacted] did, however, capture Columbus' disillusionment when [redacted] turns [redacted] to [redacted] a false utopia. As Roldano, [redacted] Scandiuzzi made a suave villain. Marco Berti, an elegant young tenor, [redacted] Guevara, Columbus' loyal captain. [redacted] soprano writing is [redacted] light and linear: [redacted] Pasino's Anacoana had a welcome [redacted] of temperament, while Rosella Ragatzu caught [redacted] visionary quality [redacted] Isabella's Act one prayer.

[redacted] the outstanding [redacted] came from chorus and orchestra. The Hungarians [redacted] with the kind of voluminous ease and transparent delicacy for [redacted] European choirs [redacted] justifiably renowned. The orchestra, clearly engaged by Franchetti's generous scoring, was no [redacted] impressive, [redacted] Viotti presided with an attractive [redacted] of dynamism and support.

Andrew Clark

The Winter's Tale

YOUNG VIC

David Thacker's [redacted] and careful production [redacted] this late [redacted] play is [redacted] in the distinction between immaturity and innocence. Trevor [redacted] wild-eyed, wilder-haired Leontes is, to put it bluntly, what the honest Northerners [redacted] the Bohemian shepherdry might well call [redacted] prat. [redacted] revels in his jealousy, then [redacted] himself in [redacted] grief [redacted] an overgrown adolescent. This [redacted] as good [redacted] explaining [redacted] sudden, catastrophic anger, which squalls up apparently from nothing. It is a *teenager's tantrum*, which might be considered innocent, if it did not go hand in fist with the power of a father and a tyrant.

As if in instinctive recognition of this vulnerability, his courtiers reach out to him with *comforting hands, only to* be smacked away. The logic of Antigonus' willingness to dispatch the infant princess lies not, as so often, with his fear of his wife (Fiona Victory's Paulina is sensible, kind and far from domineering), but in an urge to soothe and placate. In place of a bear, he dies deafened by an eery, leonine roaring – as if engulfed in the fantasy he has tried to serve.

[redacted] innocence comes later, in sheep-shearing [redacted] gleefully led by [redacted] pied-piper [redacted] lycus, [redacted] into [redacted] and [redacted] men into a primal [redacted] dance, [redacted] and staves, [redacted] Sarah-Jane Fenton's graceful nymph of [redacted] Perdita rhapso[redacted] Miles' adoring Florizel.

The accents [redacted] gently Northern, and the point is clearly made that gullibility is merely another sort of faith. Daniel Flynn's Clown, with his carrot curls and scrubbed cheeks, is [redacted] stupid but naive; [redacted] belief in Autolycus's [redacted] story is [redacted] extraordinary, when all [redacted] said and done, than Leontes' willingness [redacted] that his wife's statue can [redacted] brought to life – [redacted] willingness which involves a surrender of power [redacted] Paulina, returning him [redacted] a sort of innocence.

[redacted] sense of time passing is [redacted] in Sheelagh Keegan's superb, stark set of [redacted] sunken circle in grained wood which – with the [redacted] lighting of [redacted] Simmons – can be imagined into formal cloisters, a sundial, a rough-and-ready dance platform or, finally, a magic circle, in which reality can [redacted] so inverted [redacted] to allow the descending Hermione to walk *up* to her incredulous husband. Rudi Davies, occasionally hard to hear in the *first act*, has a nobility of outline and a sad dignity of bearing which keeps [redacted] centred on her in the fifth.

My one quibble [redacted] with [redacted] drabness of costuming in the Sicilian scenes. [redacted] imagination *has* connected with [redacted] idiom of a production which, in Thacker's hands, sends one out the theatre wondering why *The Winter's Tale* [redacted] not always performed in [redacted] round.

Claire Armitstead

Idomeneo

ROYAL ALBERT HALL

Every Prom season borrows an [redacted] from [redacted] regular companies – some[redacted] through, [redacted] "semi-staged"; [redacted] unusual for a Prom opera to serve *as preview for a forth*coming production. On Friday Sir Charles Mackerras conducted his Welsh National Opera forces (not even walking much, just standing and sitting) in Mozart's *Idomeneo*, which opens at the Cardiff New Theatre this Wednesday. Rewarding but protracted, it ran almost half an hour over time, even without the ballet music.

For one thing, Idomeneo got his final aria, "Torna la pace". Presumably a late decision, [redacted] programme-text omitted it, but a welcome one: the opera always seems incomplete without it, even if Mozart himself cut it from the 1781 premiere. Dennis O'Neill's proudly Italianate tenor was fully equal to it, and earlier he had made an heroic assault on the fearsome "Fuor del mar", incurring only a couple of scratches. It was an unaccustomed pleasure to hear this role delivered so robustly (and with exemplary diction).

It was a less good idea to give Arbace +his+ long, thankless aria too, which Anthony Roden [redacted] manfully but without much allure. Young Paul Charles Clarke [redacted] a promising impression as [redacted] High Priest, and Ashley Thorburn [redacted] a pre[redacted] Neptune. [redacted] Murphy [redacted] a committed, interesting [redacted]. [redacted] Ilia, the very young [redacted] replaced Amanda Roocroft (out [redacted] with glandular fever) [redacted] triumphed. Her large soprano, beautifully used, [redacted] sterling breath-control and [redacted] her spirited [redacted] were [redacted] to [redacted] opera.

Too often, Ilias [redacted] to flute gently and sweetly, especially when their [redacted] mantes are sopranos too; with a tenor [redacted] femininity. In fact John Mark Ainsley's Idamante was a gentle soul, though sung with refined confidence notably "Non ho colpa", where he ornamented the reprise to splendid effect. Their duet was melting and rather slow, like much of the later music. With the tenderest intentions, Mackerras seemed to make the greater part of Act 3 one long *rallentando*: over-stately, I thought, and – at least for a concert performance – riskily undramatic.

Still, the conductor's scrupulous, searching way with all the recitatives was a particular glory of the performance. They are a glory of the opera, of course (and one of the reasons why it is awkwardly long); never before had Mozart invested *recitativo and arioso* passages with such expressive richness. Mackerras made his orchestra live up to those unusual demands, and even long-standing *Idomeneno* lovers will have had their breath taken away at some of the poignant turns he revealed. The chorus was excellent, [redacted] always: "Oh [redacted] tremendo" was tremendous.

David Murray

INTERNATIONAL ARTS GUIDE

[redacted] EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Piano recital by Arielle [redacted] withmusic by Mozart, Szymanowski, [redacted] and Debussy. Tomorrow: Mitsuko Uchida plays [redacted] with [redacted] English Chamber [redacted]. Wed, *Thurs* and Sat: [redacted] Solti conducts the Royal Concertgebouw Orchestra. Fri: Seiji [redacted] Saito Kinen [redacted] at 14.00: Hans Vonk conducts Strauss and Wagner [redacted] 345)
Muziektheater 20.00 Hartmut Haenchen [redacted] Richard [redacted] production [redacted] Tchaikovsky's Mazeppa, with Sergey [redacted] in the [redacted] role [redacted] Lyubov Sharnina as Maria, [redacted] Thurs and Sun. Tomorrow and Wed: Dutch National Ballet. Fri and Sat: Nederlands [redacted] Theater (6255 455/credit card bookings 6211 211)

■ ANTWERP

Koningin Elisabethzaal 20.00 Flanders [redacted] Yuri Temirkanov conducts the Leningrad Philharmonic Orchestra in [redacted] all-Prokofiev programme. Wed: Michel Corboz [redacted] the chorus and orchestra of the Gulbenkian Foundation in Carvalho's Te Deum. Thurs: Mozart [redacted] piano [redacted] by Alan [redacted] 7160)

■ BERLIN

MUSIC
[redacted] *Linden* [redacted] Schreier [redacted] Le nozze di Figaro, with a [redacted] led by Magdalena Hajossyova [redacted] Tomorrow: [redacted] Lake. Wed: [redacted] tutte. Thurs: Der Freischütz. Fri [redacted] Sat: [redacted] Orff double-bill. Sun: Der Rosenkavalier (East Berlin 2004 762)
Komische Oper [redacted] Reuter [redacted] Harry Kupfer's production [redacted] Die Zauberflöte. Tomorrow: Romeo and Juliet. Thurs: Idomeneo. Fri: Cosi fan tutte. Sat: Giustino. Sun: Le nozze di Figaro (East Berlin 2292 555)
Schauspielhaus 20.00 Carlo Maria [redacted] the Berlin Philharmonic Orchestra in Tchaikovsky's Second Symphony, [redacted] Ma Mère l'Oye and Stravinsky's Firebird (1919). Wed: David [redacted] the Berlin Staatskapelle. *Thurs, Fri* [redacted] Sat: Ferdinand Leitner [redacted] the Berlin Symphony Orchestra (East Berlin [redacted] 261)
THEATRE
East Berlin: this [redacted] repertory [redacted] the Berliner Ensemble [redacted] Brecht's The [redacted] Sezchuan tonight and Sun, Galileo Galilei tomorrow, The Threepenny Opera on Wed [redacted] Courage on Thurs (2827 712). The [redacted] Theater [redacted] Schiller's Maria Stuart on Wed, Hamlet and Hamletmachine by Shakespeare [redacted] Heiner Müller on [redacted] and Ionesco's The Bald Prima Donna on [redacted] (2871 225). [redacted] Maxim Gorki [redacted] George Tabori's [redacted] Kampf tonight and Sat, Shakespeare's [redacted] You Like [redacted] tomorrow, T.S. Eliot's The Cocktail Party [redacted] and Peter Shaffer's [redacted] on [redacted] 748). The [redacted] showing Moliere's Le [redacted] imaginaire [redacted] Wed, [redacted] Comedy [redacted] Errors [redacted] Thurs [redacted] adaptation [redacted] Bulgakov's The [redacted] Margarita [redacted] Fri [redacted] Sun [redacted] 748).
West [redacted] Schiller Theater [redacted] Lessing's [redacted] Barnhelm tonight, [redacted] Brasch's modern version [redacted] Juliet story [redacted] Wed, [redacted] Macbeth and [redacted] (3195 236). The Renaissance Theater [redacted] Peter [redacted] directed by [redacted] Klingenberg, daily [redacted] (3124 [redacted])

■ COLOGNE

[redacted] Mozart [redacted] End: [redacted] evening with [redacted] pianist Friedrich [redacted] and [redacted] Tomorrow: Schubert string quintets played by [redacted] Quartet, with cellist Wolfgang [redacted]. *Wed: German Jazz* Orchestra. Thurs: Mitsuko Uchida plays Mozart with the English Chamber [redacted] (2801)

■ FRANKFURT

Alte Oper 20.00 An experimental music-theatre work directed by Fred van [redacted] Kooij, with the Ensemble [redacted] by Manfred Reichert, combining music by [redacted] contemporary composers with recorded sound, visual projections and a role for an [redacted] *Repeated tomorrow.* Wed: Tatiana Grindenko is violin soloist with [redacted] Moscow Chamber Academy. Thurs and Fri: Semyon Bychkov conducts the [redacted] Radio Symphony Orchestra, with the Labeque Sisters (1340 [redacted]

■ GENEVA

Grand Théâtre [redacted] Thielemann *conducts Pierre* Strosser's production of Der fliegende Holländer, with Jose van Dam in the [redacted] role, [redacted] Plech [redacted] Senta, Ben Heppner as Erik [redacted] Hans Tschammer as Daland, repeated on Thurs [redacted] Sun. Tomorrow: Lieder recital by [redacted] Bär (212311)

■ HAMBURG

Staatsoper [redacted] Zauberflöte. Tomorrow and Fri: Don Carlos. [redacted] and Sat: Werther. Sun: La Damnation de Faust [redacted] 20.00 Gunter Wand conducts [redacted] German Radio Symphony Orchestra in Beethoven's Coriolan [redacted] Egmont overtures and Schumann's Third Symphony, repeated tomorrow (343044)

■ LONDON

Covent [redacted] First night [redacted] Götz Friedrich's production of [redacted] Rheingold, conducted by Bernard Haitink and designed by Peter Sykora. The cast includes James Morris as Wotan, Helga Dernesch [redacted] Fricka and Ekkehard [redacted] as Albench. Repeated on Sat. Tomorrow: Rigoletto (071-240 1066)
[redacted] Yan Pascal Tortelier conducts [redacted] *production* [redacted] *Werther, with Arthur* Davies in [redacted] role and Anne-Marie Owens [redacted] also Thurs. Tomorrow [redacted] Fri: Billy Budd. [redacted] and [redacted] La boheme (071-836 3161)
Royal [redacted] **Hall** 19.30 Seiji Ozawa conducts [redacted] Kinen Orchestra in Brahms' [redacted] and Third Symphonies, [redacted] Takemitsu's Requiem for Strings. *Tomorrow:* [redacted] *Lockhart* conducts [redacted] BBC Concert Orchestra. [redacted] Sinopoli [redacted] Philharmonia. (071-928 [redacted] 19.45 [redacted] Lympany 75th birthday recital, [redacted] music by Chopin, Debussy [redacted] Schumann. Tomorrow: charity [redacted] *showing of Kurosawa's* [redacted] *film* Rhapsody in August. Thurs: [redacted] Tilson Thomas [redacted] the [redacted] (071-638 [redacted])

■ MUNICH

[redacted] Sergiu *Celibidache* [redacted] Philharmonic [redacted] in Bruckner's Third Symphony [redacted] 614)
[redacted] 20.00 Budapest Operetta [redacted] production of [redacted] Fledermaus, daily till [redacted] 5 (593427)
Gärtnerplatztheater 19.30 Eugen d'Albert's opera Tiefland. Tomorrow: Der Vogelhändler. [redacted] Entführung. Thurs: Figaro. Fri: Bartered Bride. [redacted] and Sun: Sondheim's [redacted] (201 6767)
[redacted] *19.30 Arthur* Schnitzler's play Interlude (Zwischenspiel), directed by [redacted] Löscher (221316)

■ PRAGUE

MOZART [redacted] **PRAGUE FESTIVAL**
[redacted] **Hall** [redacted] Emmanuel Krivine conducts [redacted] Orchestre [redacted] Paris in Mozart's Symphony No [redacted] and [redacted] Concertante for [redacted] instruments, plus Ravel's Daphnis [redacted] 2 and [redacted] from [redacted] Juliette. Tomorrow: [redacted] the Prague Chamber [redacted]. Thurs [redacted] *Die Entführung* aus dem [redacted]. Sun: Bamberg Symphony Orchestra. The [redacted] runs till [redacted] 29
Pre-booking [redacted] Sluna [redacted] Square [redacted] and [redacted]

■ VIENNA

MUSIC
Staatsoper 20.00 [redacted] Schneider [redacted] Zampieri [redacted] title role, Leonie Rysanek as Herodias, Horst Hiestermann [redacted] Herod and [redacted] Jochanaan, repeated *on Fri. Tomorrow:* [redacted] *sings* Elektra. [redacted] and Sun: [redacted] and Pag. Thurs: Die Zauberflöte. [redacted] Abbado [redacted] Lohengrin (51444 2960)
Volksoper 19.00 Cinderella, ballet by Prokofiev, repeated on Sun. Tomorrow: Don Giovanni sung in German. Wed and [redacted] La Cage aux Folles. Thurs: *Eine Nacht in* Venedig. Fri: Das Land [redacted] Lächelns (51444 3318)
THEATRE
This [redacted] repertory [redacted] the Akademietheater and Burgtheater *includes Shakespeare's* [redacted] Merchant [redacted] Venice and Jürgen Flimm's Salzburg Festival production [redacted] Der Schwierige by Hugo von Hofmannsthal (51444 2218)
Telephone [redacted] for the Staatsoper, Volksoper [redacted] Burgtheater are available [redacted] for holders [redacted] credit [redacted] by ringing [redacted] 5131 513

European Cable and Satellite Business TV

(all [redacted] CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 [redacted] Business report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
[redacted] CNN [redacted] Watch
1330-1400 [redacted]
2000-2030 World [redacted] Today - a [redacted] FT/CNN production [redacted] of [redacted] day's major business [redacted] Perry [redacted] Chapman
2300-2330 [redacted] Today
0100-0130 Moneyline
Superchannel
2230 - 2250 (Wed) Financial Times [redacted] Weekly - [redacted] round-up [redacted] with James Bellini [redacted] Middleton.
0630 [redacted] 2030 (Thurs) [redacted] Times [redacted] Weekly
Sky News
1200 International [redacted] Report
2130 (Thurs) Financial Times Business [redacted]

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 [redacted] This [redacted]

SUNDAY
[redacted] FT [redacted] Weekly
1930-2000 FT [redacted] Weekly
[redacted] FT Business Weekly
[redacted]
1030-1100 FT Business [redacted]
CNN
0710-0740 [redacted] Money
[redacted]
0040-0110 Inside [redacted]

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Monday September 16 1991

Israel presses its luck

PRESIDENT George Bush [redacted] Mr James Baker, the US secretary [redacted] state, are patient [redacted] men. They have both invested [redacted] time [redacted] effort during the past [redacted] months in seeking to organise [redacted] Middle [redacted] aimed at securing [redacted] and security for Israel and some form of self-determination for the Palestinian people.

It is a worthy aim, based on UN resolutions, supported by virtually [redacted] entire international community. [redacted] one has underestimated [redacted] immensity of the task, but in [redacted] of communism's collapse [redacted] Europe [redacted] the revolution in the Soviet Union the [redacted] of [redacted] must be [redacted] than [redacted] time in the past four [redacted].

The changed and generally more constructive [redacted] of possible Arab participants [redacted] conference illustrates [redacted] important [redacted] radical [redacted] changes in the international environment [redacted]. The [redacted] of hostages in Lebanon [redacted] further tangible evidence.

Mr Bush might expect his [redacted] and closest ally in the region, Israel, [redacted] most supportive [redacted] his [redacted]. But Mr Bush's hastily summoned [redacted] last week, when he [redacted] congressional approval [redacted] an [redacted] request for $10bn in loan guarantees, [redacted] instead just how thinly his patience [redacted] being [redacted] by [redacted] of the government in Jerusalem.

Requests ignored

For [redacted] Administrations have been asking [redacted] villages [redacted] the Arab land occupied during [redacted] has chosen [redacted] ignore those requests while continuing to receive more than [redacted] in annual aid from Washington.

President [redacted], enthused by the willingness of Syria [redacted] other [redacted] to attend a [redacted] conference in October, has again urged Israel to stop building in the occupied territories. Israel increased the pace of building. Mr Bush then asked Israel to delay making its formal request for US [redacted] antees for [redacted] it estimates that it needs to borrow in the [redacted] to settle up [redacted] arriving from the Soviet Union. Israel ignored him [redacted] made [redacted] request.

Lobbying campaign

Mr Bush then [redacted] Congress [redacted] delay consideration [redacted] the request for four months, citing the possible damage it might do [redacted] prospects for convening a Middle East [redacted] conference. American Jewish organisations responded with a vigorous lobbying campaign in Congress amounting to a direct challenge [redacted] the President's authority [redacted] drawing from him the [redacted] threat. If this is how [redacted] towards its [redacted] sincerely seeking [redacted] helpful, then it should not [redacted] entirely surprised if [redacted] sympathy for its [redacted].

Mr Bush [redacted] already had [redacted] repeated [redacted] by Mr Yitzhak Shamir, Israel's prime minister, and other [redacted] of [redacted] cabinet, [redacted] there is no [redacted] of Israel trading land for [redacted] as [redacted] in UN [redacted]. It [redacted] the [redacted] process and inevitably adds to [redacted] difficulties of persuading Arab [redacted] to come [redacted] the conference table. To provide [redacted] moment loan guarantees for settling [redacted] inevitably be seen by Arabs as further [redacted] of Washington [redacted] settling Arab [redacted] US [redacted].

Mr Bush [redacted] in the [redacted]. [redacted] and Europe have their own vital [redacted] in the Middle [redacted] which, [redacted] may be diverging ever more emphatically from the intentions [redacted] the present Israeli government. The US will not allow [redacted] divergence [redacted] Israel's [redacted] security, but Mr Shamir should [redacted] made to understand that there are limits beyond which the US government will not be pushed.

There will [redacted] little international sympathy for Israel if it intensifies its [redacted] with Mr Bush. It should, on the contrary, take the opportunity today of the seventh visit by Mr Baker [redacted] Israel [redacted] end of [redacted] Gulf [redacted] to help [redacted] the remaining obstacles [redacted] conference.

A written constitution

THE latest proposals [redacted] constitutional reform in the United Kingdom put [redacted] Labour party on [redacted] spot, at a time when it [redacted] slipping in the polls. Last week the Liberal [redacted] produced a broadly attractive [redacted] for the [redacted] and restructuring [redacted] Britain's unwritten constitution. [redacted] devolution of powers from Westminster [redacted] the regions and localities, a bill [redacted] rights, electoral reform, and [redacted] information.

This morning Labour is challenged by [redacted] revolutionary proposals from the Institute for Public Policy Research, which [redacted] itself as [redacted] "influential left of [redacted] think tank". They are put forward in "The Constitution of the United Kingdom," a short paperback. The IPPR is [redacted] the Labour party, but it is closely associated with it. The chairman is [redacted] Blackstone. The secretary is Dr John Eatwell, economic [redacted] to Mr Neil Kinnock. [redacted] include Mr John Edmonds, leader [redacted] the GMB general [redacted] union.

Labour would do well [redacted] acknowledge [redacted] central proposition in the IPPR [redacted] that, in Dunning's [redacted] motion [redacted] 1780, "the power of [redacted] executive [redacted] increased, is increasing, and ought [redacted] be diminished". These words describe the fundamental flaw in Britain's system [redacted] government. An abiding commitment to [redacted] parliamentary [redacted] eignty and the [redacted] by ministers [redacted] royal prerogative has led [redacted] what Lord Hailsham called, nearly [redacted] after Dunning, the "elective dictatorship".

Paper revolution

The IPPR would, in effect, overthrow that dictatorship by [redacted] paper revolution. The new written constitution would replace the supremacy [redacted] parliament as the ultimate source of authority. The monarchy would stay as a dignified [redacted] state, but the royal prerogative would no longer [redacted]. The Commons would [redacted] elected for [redacted] four-year terms on [redacted] member system [redacted] voting [redacted] in Germany. [redacted] Lords would [redacted] replaced by a [redacted] elected by the single transferable [redacted]. Legislative power would be [redacted] between parliament and regional [redacted] for Scotland, Wales, Northern Ireland and the 12 English regions; these would [redacted] financed by a share-out [redacted] the proceeds [redacted] a centrally-determined income [redacted].

In short, the institute has postulated a complete [redacted] abrupt change [redacted] the [redacted] in which Britain [redacted] itself. [redacted] aim [redacted] by presenting a draft constitution. Against this background [redacted] various proposals can be seen as try-ons: not [redacted] the 50 [redacted] involved in debating [redacted] drafting the report [redacted] with everything in it.

Sham proposals

[redacted] as a whole, however, the IPPR constitution [redacted] Labour's existing constitutional proposals as a sham. Mr Kinnock's party would [redacted] legislative authority [redacted] Scotland and [redacted] the regions and replace the Lords with an [redacted] body, but [redacted] pillars of [redacted] – a sovereign [redacted] by first-past-the-post and a cabinet able to rule by [redacted] prerogative – remain in place. [redacted] Conservative position, which is that [redacted] understandable but it is [redacted] intellectually respectable.

There [redacted] no popular agitation in favour of constitutional change, but [redacted] current climate [redacted] ideas would support [redacted] serious [redacted]. The [redacted] Europeans and [redacted] in a [redacted] at constitution-building; [redacted] must be some fallout in [redacted] the United Kingdom.

The IPPR [redacted] made a solid contribution, but it [redacted] one important question unanswered: [redacted] is the [redacted] be engineered? The institute envisages [redacted] constitutional convention followed by [redacted] referendum, but [redacted] the question [redacted] whether parliament should, or would, sanction [redacted]. Then [redacted] referendum gave a positive [redacted] existing parliament [redacted] still [redacted] required, like the Supreme Soviet, to liquidate itself in [redacted] body. A written constitution containing many, although not all, [redacted] the principal elements in the IPPR [redacted] long overdue, but it will remain [redacted] until someone works out how Britain [redacted] from here [redacted] there.

Michael Cassell on growing concern over extortionate credit

Borrowers' burden

A [redacted] Britain's [redacted] turn its [redacted] on [redacted] period [redacted] painfully high interest rates, [redacted] will be little [redacted] for millions [redacted] the fringes [redacted] the consumer credit market.

Despite the falling [redacted] the poorest [redacted] who [redacted] deemed [redacted] be a bad risk by mainstream lending institutions will continue to carry the burden of exceptionally high interest charges.

But it has become increasingly apparent that some of the worst-off borrowers are being forced into securing credit from far less reputable lenders on far more punitive terms.

Concern over the plight of those people dependent upon [redacted] underbelly [redacted] the [redacted] business, usually individual money-lenders operating [redacted] pubs and [redacted] by word [redacted] mouth, [redacted] prompted [redacted] long investigation by [redacted] Fair Trading.

The OFT [redacted] been trying [redacted] establish [redacted] further [redacted] be [redacted] stamp it out. [redacted] findings are due in the next two weeks.

The loan sharks that have been the subject of this inquiry are quite distinct from the legitimate, licensed money-lenders that deal with customers who might have difficulty borrowing from the banks.

In an area where the real cost of money is invariably far less important than the size of regular cash payments, many of the poorest borrowers – such as the unemployed and those with a history of bad debt – resort to credit which may prove very expensive but can still be repaid within modest weekly budgets.

Beyond the banks and finance houses, as many as 3m people on low incomes rely for small, short-term loans on licensed money-lenders charging high annual percentage rates. (The APR is a guide to the annual equivalent rate of return on a loan in which the interest rate specified is chargeable or payable more frequently than annually).

A recent survey in Birmingham of licensed companies [redacted] doorstep [redacted] ing between 300 [redacted] 400 per [redacted].

The legitimate, [redacted] credit [redacted] in the UK [redacted] by quoted companies like Provident Financial Group of Bradford, Cattles (Holdings) of Hull and London [redacted] Bank of Manchester.

High [redacted] and [redacted] debt [redacted] mean that profit margins [redacted] generally unexceptional, [redacted] though APRs [redacted] from about [redacted] per [redacted] 200 [redacted]. S & U Stores of Birmingham, another quoted [redacted] credit specialist, imposes charges nearer 400 per cent on [redacted] loans.

London Scottish [redacted] part-time collectors and makes cash advances averaging £200 to people usually rejected by banks and finance houses. Mr Neil Copeon, a director, quotes average APRs of 90 per cent – "the rate for the job" in a high-risk business.

He rejects the description of his business as a lender of last resort: "We only accept 15 per cent of applicants and the rest then work their way down the list of lenders; the lower they go the higher the risks and so the bigger the cost."

No such calculations trouble those operating outside the law and the licensing system, however. Horror stories abound of people borrowing [redacted] in pay off other loans. [redacted] find themselves having to borrow just to pay the poll tax and incidents of illegal harassment by lenders are widespread but hard to prove.

Mr Kevin Mitchell, senior trading standards officer in Birmingham says his team has often encountered deals with APRs of over 1 million per cent.

In Nottinghamshire Mr Alan Street, head of trading standards has a seven-man team to combat illegal lending and credit abuse, which he says is rife: "You borrow £50 cash and agree to pay back £100 at £5 a week. They keep £5 as the first payment, so you get £45 and owe £95. What sort of a deal is that?"

But the government faces a dilemma in considering an issue which is as old as money-lending itself. How can the balance be protected between borrowers and lenders' rights and obligations in any new proposals aimed at eliminating the worst offenders? And where, in the continuing absence of any widely applicable judicial ruling, is the line to be drawn between extortionate and acceptable interest rates?

The legitimate consumer credit business is controlled via a licensing system operated by the OFT.

Last year nearly all the 25,367 consumer credit licences applied for were granted while 63 were revoked. The OFT says it has no record of how many of the 290,000 businesses given licences between 1976 and the end of 1990 are still trading.

Though no amount of legislation will stop the loan shark, illegal lenders face fines and possible jail sentences, as well as the removal of their licences. They can also have their loan business completely written off.

Most licensed operators remain in business because they strike bargains which are deemed fair by their customers. A licence, however, does not guarantee borrowers freedom from excessively expensive loans.

Mr Chris Baines of the Birmingham Settlement, a charity tackling inner-city deprivation, has on his books allegations about a local, licensed credit broker charging an APR of 4,800 per cent.

Four years ago, the same business was expelled from the Consumer Credit Association for imposing similar rates of interest. The fact that the broker in question is still licensed and in business, though operating under two new trading names, must cast doubt on the policing abilities of trading standards departments and [redacted].

The association, [redacted] lend [redacted] people, argues [redacted] prevalence [redacted] extortionate [redacted] is being exaggerated. According to Mr Michael Liley, [redacted] of the [redacted], "We [redacted] not convinced that a seriously widespread problem exists. Suggestions that abuse is commonplace rarely seem to have any factual basis."

Though the OFT's findings on extortionate credit are not yet known, there are few expectations that it will recommend to Mr Edward Leigh, the consumer affairs minister, any significant, further protection [redacted] hard-pressed borrowers.

The OFT [redacted] acknowledged [redacted] credit remains [redacted] expensive as to [redacted] socially harmful. Nonetheless it appears reluctant to upset the fundamental code on credit enshrined 17 years ago in a Consumer Credit Act intended to provide borrowers with an armoury of rights and safeguards.

The most likely move will be a change in regulations making it easier for extortionate credit deals to be challenged in the courts.

At present, only borrowers can ask the courts to reopen and alter agreed deals but few appear aware of their rights or want to risk alienating lenders they may need in future.

There is widespread [redacted] and [redacted] organisations to allow the OFT and trading standards officers to take the initiative in challenging a credit bargain in court. A proposal that lenders involved in proven cases of extortionate interest charges could see the loan cancelled could also be taken up.

Suggestions for killing off the extortionate rates include a universal cap on interest rates [redacted] requirement [redacted] charging particularly high rates [redacted] secure a special licence.

[redacted] danger is [redacted] imposed [redacted] some legitimate [redacted] would, given [redacted] squeezed [redacted] ness. In [redacted] the US and in Ireland, [redacted] ceilings [redacted] majority of lending [redacted] market [redacted] gone underground.

Other suggested [redacted] funds for [redacted] lending, though [redacted] and broader terms than under the present social fund, which makes loans to those on benefit in order to buy fundamental household items and clothing.

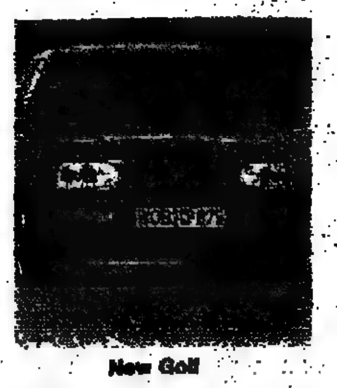
Moves to encourage the spread of credit unions, in which loans funded out of members' contributions are made at low or nil rates of interest, have also been suggested.

Mr Les Cottrell collects small loans struck at interest rates touching 100 per cent on the shabby doorsteps of Monsall, Manchester. He has no doubt his licensed employer helps provide a valuable service to those customers mainstream lenders will not touch.

"The majority of people, [redacted] circumstances, [redacted] and stick [redacted] it. [redacted] be [redacted] if they [redacted] stopped from borrowing [redacted] people like us. It would just mean many more would be at the mercy of those who will always get round the law".

Greening of the people's car

Andrew Fisher talks to VW's director for the environment



New Golf

AT [redacted] Frankfurt [redacted] show, where glamour and performance vie with ecology [redacted] as selling points for [redacted] cars, one of [redacted] most sought-after executives last [redacted] Mr Ulrich Steger, Volkswagen's new director for [redacted] environment.

[redacted] first European [redacted] producer – and the first big German company in any sector – to appoint a board member with solely "green" responsibilities, VW is acutely aware of the contradiction between Germans' love of cars and their equally passionate care for the [redacted].

Today's new [redacted] mostly safer, more economical and less inimical to the environment, and car makers put a lot of effort into getting this across. Not everyone is convinced. Greenpeace erected a hoarding opposite the show entrance. "The killers of our climate," it says next to the names of German car makers.

This extreme viewpoint is one with which Mr Steger will have to deal, though not all critics of the car are so outspoken. He says he is known anyway as "stubborn and fond of conflict". The 47-year-old business school professor was Social Democratic economics minister in Hesse when the state had a red-green (SPD-Green coalition). This political background will come in useful, too.

What does he think about Germans' attitudes to cars and the environment? And what can he achieve in VW, which is committed to making profits, however pronounced its environmental conscience?

Sipping a glass of *Sekt* above the VW stand, he has a quote from Frankfurt-born Goethe ready to hand: "Mankind is a contradiction". Thus "we have environmental awareness on the one hand and the pleasure of driving fast on the other". He describes environmental protection as an innovative challenge. "It does not mean sacrificing quality, safety, and, perhaps, driving pleasure."

Mr Steger is keen to draw environmental activists into a proper debate, so they share responsibility for deciding how future vehicles should be powered and do not just attack the car. VW's new Golf is more economical than its predecessors and is safer. Its manufacture includes fewer environmentally harmful or wasteful materials and [redacted].

VW has also pledged to take [redacted] the new Golf free of charge for recycling at the end of its life. [redacted] says Mr [redacted] should enhance its second-hand value. Thus [redacted] can work out that it pays to take care of the environment. There is also an eco-Golf, still in the test phase, with fuel savings of 25 per cent achieved by a device which automatically switches off the engine when the car is immobile in stop-start urban traffic.

Such efforts show how far VW and others have felt obliged to go to satisfy calls for more environmental responsibility in industry. Mr Steger, whose new job covers only the VW marque and not the group's Audi, Seat and Skoda subsidiaries, believes producers must adopt a more all-embracing approach to the environment if they are not to be confronted by stiff new laws.

In turn, he expects this to bolster his status in VW. "The strength of my position is the basic understanding at VW as the leading car producer in Europe that it also has to be number one in environmental protection if it is to remain successful in the long term."

One law that would be anathema to car executives, but which is again being discussed, is a speed limit on German motorways. The car industry argues that the ability to drive at high speeds spurs companies to superior technological efforts. This, companies claim, is appreciated by purchasers.

Mr Steger is circumspect on the issue. On a speed restriction, he does admit: "It must come." He then says, as his corporate line, that "my personal opinion is different from the official position of the car industry".

Like its rivals, VW is working on new concepts to save fuel, ease urban congestion and promote safety. One exhibit in the study stage is the Chico, powered by a combination of electric motor (for short rides) and petrol-driven propulsion (for greater distances).

Mr [redacted] also intends to become [redacted] with local authorities to help them develop integrated transport policies – involving buses and trains as well as cars. Again, the feeling is that without such efforts, the car will become – and, to some environmentalists, already is – the scapegoat for urban transport ills.

Within VW, the new board member intends to promote greater environmental awareness across the board, an example being the use of more energy- and materials-saving processes in the production stage. "All companies, not just VW, have to learn how to deal with environmental matters efficiently." Much of his task will be educational, he says. "If I'm very good, my job will be superfluous in 10 years."

Question mark

■ The Dutch and British enthusiasm for a two-speed European Monetary Union raises an intriguing question: will Germany qualify for the "fast" [redacted]

On the face [redacted] it, the question [redacted] ridiculous. Much [redacted] impetus behind Emu comes from the [redacted] apply [redacted] monetary discipline to other parts [redacted] Community.

[redacted] times [redacted] changed. [redacted] at the first [redacted] of [redacted] four [redacted] the Dutch [redacted] membership [redacted] group of early Emu members, and [redacted] sneaking [redacted]

Condition [redacted] a high degree [redacted] price stability, measured by a level [redacted] inflation [redacted] by the [redacted] with the [redacted] performance on prices. [redacted] inflation is likely [redacted] around [redacted] while [redacted] and Britain [redacted] enough?

[redacted] dubious than would have [redacted] possible [redacted] was first discussed. Fast-group candidates must maintain a sustainable government financial position, apparent from budget [redacted] that [redacted]

Fiscal conservatives [redacted] Europe [redacted] that Germany's commitment to big [redacted] in its [redacted] citizens, coupled [redacted] unwillingness [redacted] raise [redacted] enough [redacted] for them, creates precisely the sort of unsustainable government financial pos[redacted] Dutch draft [redacted] about.

How's that [redacted] convergence?

Ex-good friend

■ [redacted] whisper it [redacted] loudly, but the [redacted] Walker, chairman of [redacted] and [redacted] Board, [redacted] of his star panellists. On [redacted] he is due in Washington for the annual conference of the International Organisation of Securities Commissions, hosted by the grand-daddy of securities' watchdogs, the SEC.

Walker is to chair a session on the interplay between securities and banking laws, and has lined up some impressive names including Gerry Corrigan of [redacted] and Michael Mackenzie Canada's superintendent [redacted] financial [redacted].

But one name has been quietly dropped from the panel, Salomon Brothers ex-boss John Gutfreund.

OBSERVER

"You should see him when he's not wildly speculating about the election date."

Students' banker

■ Someone had to do it. So why not a PR man in the shape of Malcolm Hurlston?

The chairmanship of Britain's Student Loans Company was never going to be the most sought after job. Students don't like the idea. Nor does the Labour Party. High Street banks, terrified of upsetting future customers, have cold-shouldered the scheme.

Hence the Glasgow-based loans operation is stuck in the public sector, run by civil servants. But Hurlston's appointment is a step in the right direction.

The company has already proved it can lend money: 170,000 students have borrowed nearly £70m to date. Now it must prove itself up to the trickier task of getting the cash back. The fact that Hurlston also chairs the privatised Registry Trust – a non-profit organisation which keeps a record of bad debts – might well come in handy.

He is one of those rare public relations [redacted] who bravely spend [redacted] in [redacted] hobby-horses [redacted] Sunday trading, ESOPs, trade union financial services, and the Co-operative movement. He is the sort of person who can get enthusiastic about student loans.

Even if Labour wins the election, he thinks he will still have a job. He points to socially conscious Sweden which has long had student loans. Indeed, he sees his long-term job as preparing the company for the private sector.

If he pulls off a feat like that, he will truly deserve respect.

Free speech

■ Last week Tajikistan simultaneously declared its independence from Moscow and sent a powerful delegation to Manchester - not to seek trade or aid, but because of Manchester University's imaginative realisation that what most agitates Tajik minds at present is the Language Question.

Cloistered in the university for three days, top Tajik intellectuals discussed how their near-Persian language can replace its ugly Russian words with nice Persian or Arabic ones. But there are misgivings about how far to go.

For instance, it seems Tajik will not adopt the [redacted] word for parachute, "[redacted] rejad", which translates as "umbrella of salvation."

In the ring

■ Has Kenneth Baker forgotten he now wears the UK home secretary's hat instead of the one he sported as Conservative party chairman?

Baker, who is certainly not opposed to an early election, gave lunch for Prime Minister Major yesterday and the party's poll chances were on the menu. Conspicuously real party chairman Chris Patten, who favours an election next year, was not invited.

Gone to earth

■ Could readers back from weekending on landed estates supply some rural wisdom? Observer's old dad is desperate for a way, short of war, of stopping the small lawn behind his London terraced house from being torn up by... foxes.

Expanding families of them have colonised the overgrown playground of what once was the girls' section of the Roan comprehensive school in Greenwich. While the girls were noisier, by day anyhow, their teachers at least kept them from invading neighbours' land – which no barrier yet found has prevented the newcomers from doing.

The lawn-laceration results from the search for earthworms, foxes' staple diet. Research suggests they eat an average of 150 nightly.

Hearing of that, an Irishman met in a pub suggested putting out a trayful of raw mincemeat before going to bed. "They love fresh mince, you see, so they wouldn't be wanting worms afterwards," he added.

Perhaps, but apart from the expense, might not the grunt get back to the urban foxes' country cousins? "Having a lovely time. Mince every night, if not Kentucky Fried Chicken. Wish you were here."

Homage to rights of self-determination

Peter Bruce on the effect of nationalist stirrings in east Europe on the push for devolution in Spain

Catalonia's national day, the Diada, is normally a passionate affair, but this year's celebrations carried an extra frisson of excitement. Thousands of demonstrators paraded through the streets of Barcelona last Wednesday, carrying banners proclaiming: "Independence is possible." And the spectacle was joined this year by some unusual guests: two Lithuanian MPs and the deputy mayor of Ljubljana, capital of the newly independent Yugoslav republic of Slovenia.

The event illustrated how the collapse of the Soviet Union and the secessionist movements in Yugoslavia is helping to arouse political stirrings in [illegible] far corners of Europe. Ripples from the [illegible] are prompting [illegible] the country's 17 autonomous regions to hammer ever more loudly on the door of the central government in Madrid, [illegible] more money and a faster transfer of political power from the centre, and in some cases calling into question the country's very unity.

So far, the response from Mr Felipe González, Spain's Socialist prime minister, has been to do very little – understandably perhaps. For the process threatens to weaken the brittle and haphazard system of regional government that has underpinned Spanish democracy since 1978.

The latest clash between the centre and the regions is mainly a row about money. But even in this sense, it confronts Madrid – struggling to reconcile stubbornly high inflation with a desire to bring the economy closer into line with those of its European Community partners – with a delicate dilemma. The government is already spending vast sums on the regions in order to buy internal peace ; indeed, the Bank of Spain bluntly blamed spending by the autonomous regions for the fact that the 1991 budget deficit had overrun by close to 50 per cent by June.

But there is more to the regional leaders' demands. Following EC recognition of the Baltic republics and amid growing sympathy for the plight of Croatia, mainstream leaders from Catalonia and the Basque Country have revived calls for "self-determination", implying the right to opt for independence.

"The August revolution [in the Soviet Union] affects everyone," insists Mr Miguel Roca, leader in the Cortes (parliament) in Madrid of Spain's third largest party, the Catalan nationalist Convergencia i Unió (CiU). "We are in attendance at the burial of centralism. It is dead. The problem here is whether the Socialists realise what has happened. The issue may be philosophical at the moment but in a few years it will become practical."

Maybe it will not take that long. The Socialists have half the seats in the Cortes. Should Mr González lose one more in a general election – the next is due in October 1993 at the latest – he might have to depend on parties such as the CiU or the ruling Basque PNV for support in Madrid.

The current debate has been building for years. Both Catalonia and the Basque Country enjoyed some autonomy before Franco took control of Spain in 1939 and imposed rigid centralist rule nationwide. They demanded the return of their autonomous status as soon as he died in 1975, with rapid results. Devolution quickly came to be seen as the key to democracy and by the time the Catalan government, the *Generalitat*, had been restored in 1977, most Spanish regions were pressing for powers from Madrid. The result was the hastily negotiated 1978 constitution, which laid the foundations for a semi-federal state and saw Spain through [illegible] attempted coup and into [illegible] EC. The problem is that [illegible] document is vague in [illegible] areas – notably on limits to regional autonomy.

Between [illegible] 1981 four regions – Catalonia, the Basque Country, Galicia [illegible] also [illegible] its own language) and Andalucia – were rapidly granted autonomy. The remaining 13 took a slow route, being allowed full autonomy only after five years. In no case was autonomy to be taken as implying independence.

Spain had thus become a bastard federation – Aragon had slightly more status than an English county council and the Basques and Catalans just less than a German *Land*. The Basque Country collects all its own taxes, while the Catalans cannot but want to; the Catalans have wider powers to use their language than the Basques.

[illegible] arrangements reflected sizeable disparities between the regions. In many regions there had never been any demand for autonomy or any [illegible] sense of separate identity. Some, like [illegible] region, [illegible] wholly artificial [illegible] ations. Country-wide devolution [illegible] an [illegible] to [illegible] out of utterly different circumstances, a seemingly coherent policy for all Spain. It was an arrangement imposed from above.

That is why the politics of autonomy in Spain has been so easily ruffled by eastern Europe. The so-called "slow track" regions are now free to opt for full autonomy, and want greater powers. Catalonia and the Basque Country are complaining about delayed implementation of their autonomy statutes. The worry for Madrid is that it will soon be having to contend with 13 or more separate sets of autonomy negotiations in which regions compete to achieve similar powers.

The creativity of the Spanish government is thus about to be seriously stretched. Mr González needs to keep the Catalans and the Basques feeling special – they can both claim to be nations with unique cultures and they are Spain's most industrialised regions. But he also made a vague promise in his State of the Nation address last March to negotiate a *pacto autonómico* with the 13 "slow route" regions in order to find an orderly way to increase their [illegible].

For this promise [illegible] retain credibility, these talks have to begin soon. But even this issue of negotiating the *pacto autonómico* is in danger of becoming overshadowed by arguments between the centre and the regions over money.

The current agreement regulating financial transfers from Madrid to the regions is about to expire – and negotiations on a replacement could not be happening at a worse time. Madrid is having to claw back its 1991 budget overrun and is promising a tight budget next year.

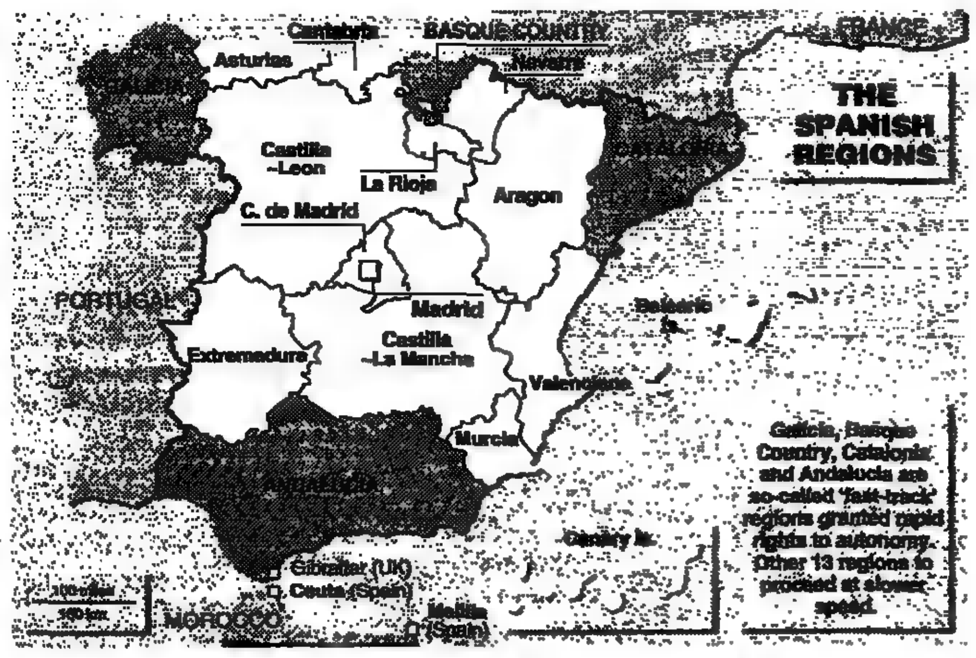
But the regions are becoming more and more expensive. Transfers from the centre to the regions grew by 21 per cent in the first half of this year and [illegible] by the regions [illegible] grown to the equivalent of 9.4 per cent of gross domestic product from less than 1 per cent in 1981. The regional authorities have also been borrowing heavily on their own account; their total debt has grown from $1.2bn in 1984 to $11bn now. Small wonder that Madrid has been vigorously pressing the EC for the creation of a new compensation fund to channel more Community money its way.

The pressures on Madrid are enormous. This year the government will pay out about $1bn [illegible] regional public television channels; it is spending heavily on infrastructure projects [illegible] the [illegible] Olympics, and pumping $8bn into [illegible] to prepare for the 1992 World Exposition in Seville.

If this is political bribery, it may no longer be working. In May the Socialists lost Seville and Valencia in local government elections to regional parties; the regionalists also made impressive gains in Navarre and Aragon.

The true extent of the pressure on the government may [illegible] later this month as a result of [illegible] by radical parties to the left of the nationalist governments in [illegible] Basque Country. The Catalan Esquerra Republicana plans to force a debate in the regional parliament on independence. In the Basque Country, radicals plan to place motions before all town councils calling for independence.

In all probability, the votes will not greatly upset the status quo. But they will raise the intensity of a[illegible] feeling throughout the country. Spain is already a difficult enough place to govern and Mr González will probably do the sensible thing and keep his head down. It is the best way he knows of deflecting any intensification of regionalist pressures.



Samuel Brittan

Calming a storm in a free-market teacup

I do not want to discourage diarists, gossip columnists and the like; but [illegible] are afoot to restore peace to [illegible] troubled free-market think tank, the Institute of Economic Affairs. The hope is to end a running battle for the IEA's soul between its present director, Graham Mather, and its two founder presidents, Lord (Ralph) Harris and Arthur Seldon, with Professor Patrick [illegible] of Liverpool [illegible] on the [illegible] group.

The [illegible] have expressed their confidence in Mather. But at a meeting next week they hope to appoint additional distinguished and reassuring [illegible] who would [illegible] the two founders to [illegible].

Damage will, however, have already been done [illegible] strengthening the misconception that [illegible] are [illegible] discussed in terms of the internal politics of the Conservative party. [illegible] already [illegible] the longstanding complaints of the Charity Commissioners and Labour MP Dale Campbell-Savours that the IEA is a Conservative front organisation [illegible] complaints of Lord Harris – an enthusiastic Thatcher supporter and Bruges Group [illegible] than the IEA is too close to John Major.

It [illegible] take months to investigate all the allegations and counter-allegations that [illegible] internal [illegible] arise among a small group of previously like-minded people. Briefly, several different squabbles have come together. One is the concern of Arthur Seldon, the editorial director for several decades, to maintain standards. The [illegible] and thoroughgoing [illegible] is distinguished from [illegible] prince of intellectual entrepreneurs, Ralph Harris. Harris's personal leanings have been Liberal, although [illegible] towards Lord Grimond than anything more recent. As a longstanding believer in exchange rate discipline, he [illegible] shared the Thatcherite enthusiasm for floating rates. [illegible] has always been worried that Mather – who will have to spend the rest of his life atoning for the fact [illegible] read Law rather than Economics as an undergraduate – would be too [illegible] in matters of political concern to concentrate on fundamental long-term [illegible].

Seldon's [illegible] to have begun [illegible] before Mather took office; and I am reminded of Bruno Walter's habit of starting rehearsals by saying: "Already it is too loud". The warnings about the dangers of being bogged down in immediate issues and in the "politically possible" have been very necessary, but as much towards Harris as towards Mather. For one to call the other too political is like the pot calling the kettle black.

For instance, Mather has been accused of publishing papers in favour of a citizen's charter, which are in fact

The intensity of the dispute reflects the squabbles surrounding Mrs Thatcher's departure

[illegible] on [illegible] he started giving in [illegible]. Lord Harris, even though he sits on the cross benches, is the founder of the [illegible] Turning [illegible], which frequently [illegible] in the IEA as the TV [illegible] during the Tory leadership contest.

My impression is that there has been pretty much [illegible] spread between topical publications and [illegible] investigation under both regimes. [illegible] John Flemming, the former [illegible] director of the Bank of England, whether it was worth pushing the case for an independent central bank – as if this were giving the Bank of England a veto, rather than an unfortunate *façon de parler* in which most of us engage in probing policy advisers.

The dispute could not, however, have reached its present intensity without the artificially-linked syndrome of [illegible] related to the UK exchange rate, the political future of the EC and Mrs Thatcher's departure from Number 10 Downing St. These were highlighted by the letter of the "Liverpool Six", headed by Professor Patrick Minford early this year, pushing for interest rate cuts even at the expense of the UK's ERM commitment.

The background to the letter was the failure of a now defunct IEA "Shadow Monetary Policy Committee" to agree on a letter which all members could sign. Minford's fury was particularly kindled by an interview which Mather gave to the Daily Telegraph, in which the latter criticised the letter for risking unsettling the markets to no good purpose. Tempers were not helped by the interpretation of these remarks as a rebuke to Minford for writing the letter rather than a personal expression of opinion of the kind in which Harris has never been slow to indulge.

I must, however, declare an interest. As the author of an IEA study, How to End the Monetarist Controversy, I hoped I could help to bring out the common ground between those who preferred an exchange rate target and those who wanted to target the [illegible] money supply – an issue depending on time and place rather than eternal verities. Minford was however determined to block my membership of the Committee.

As a check on any bias of my own, I therefore contacted Peter Jay, whom no one would accuse of being a member of John Major's kitchen cabinet, and who out-Thatchers Thatcher in his opposition to fixed exchange rates and EC "federalism". His immediate reaction was that although he did not agree with everything written, there had been a "useful widening of the publishing" agenda under Mather and that it was absurd to build huge personal animosities on differences on monetary and exchange rate policy.

Neither of us should have been [illegible] to wonder if it would have been easier to bring together Serbs and Croats than the [illegible] of internal and external monetary [illegible].

LETTERS

Alban Gate, a true landmark

From Mr Iain Watters.

Sir, I could not let Vanessa Houlder's article "Writing on the Wall" (September 9) pass without comment.

I do not wish to suggest in any way that her piece was factually incorrect; it was not. I do feel however that it was balanced against MEPC and Alban Gate in a way which was both unjustified and potentially misleading.

No one denies that the market is in bad shape but there are signs of improvement, and this has been shown by the recent considerable interest from occupiers now that the [illegible] nears completion and can be seen in all its glory. It is of course our challenge to convert that interest into lettings.

Let me finish by posing a question. What would you rather be offering to the market today – a standard specification City office scheme surrounded by many others of a similar nature, or Alban Gate at 125 London Wall, which has:

- A strong image (a true landmark);
- A variety of floor sizes (from 5,000 to 30,000 sq ft);
- An interior committed to providing the occupants with an interesting working environment;
- A "state of the art" technical specification.

Iain Watters,
MEPC,
12 St James's Square,
London SW1Y 4LB.

Azerbaijani aggression in Nagorno-Karabakh

From Mr Alex Zeytounian.

Dear Sir, Ariane Genillard's report from Nagorno-Karabakh ("Deadlock in an embattled enclave", September 11) [illegible] like a propaganda handout from the Azerbaijani government. The views of the Armenian majority are virtually ignored. This is perhaps not surprising [illegible] visit [illegible] to have been organised by the authorities in Baku.

Firstly, the Karabakh Armenians have always [illegible] a peaceful solution to the crisis based on the principles of democracy and self-determination. In 1988, the regional parliament voted to leave the control of Azerbaijan after [illegible] of colonial misrule. But, instead of dialogue, the regime in Baku chose to reply with anti-Armenian pogroms in Sumgait, Kirovabad and Baku and [illegible] against Karabakh and Armenia [illegible].

Armenian self-defence groups came into existence after two years of appeasement by Moscow of anti-Armenian violence and threats by Azerbaijani leaders to drive the Armenian majority out of their homeland. The Soviet army's response to this was to drop all pretence of "neutrality" and to openly [illegible] with Azerbaijan. Since May, Soviet and Azerbaijani helicopter gunships and tanks have uprooted 10,000 Armenians, murdering over 120 in the process.

An international delegation led by Baroness Cox which visited the region in May and again in July found evidence of systematic violation of human rights against Armenians in Karabakh and adjoining Armenian [illegible] in Azerbaijan. Emptied Armenian villages had been taken over by Azerbaijani settlers.

Armenian [illegible] over Karabakh should be seen in the [illegible] of the complete colonisation of Nakhichevan. This is [illegible] Armenia and, like Karabakh, was handed to Azerbaijan after the [illegible] pact of March 1921. Armenians see the takeover of [illegible] and the aggression against Karabakh as part of a pan-Turkish campaign that has already resulted in the genocide of 1.5 million Armenians in Turkey.

Nagorno-Karabakh has as much right to self-determination as Azerbaijan itself. Failure to uphold the democratic rights of the Armenian majority means condoning the forcible change of boundaries and encouraging continued bloodshed and suffering.

Alex Zeytounian,
Armenian Human Rights Committee,
24 St Anne's Terrace,
London NW8 6PL.

Make rental income tax-free

From Mr [illegible] Angel.

Sir, The 1988 Housing Act and the introduction of Business Expansion [illegible] assured tenancies have helped to create a new market in houses and flats to let. Through BES alone, in excess of 10,000 homes are estimated to have been provided.

The availability is considerably swollen by large numbers of owner occupiers and developers who cannot sell (at their perception of value) in the current depressed housing market, opting to let their property instead.

Suddenly, and for the first time since 1939, prospective tenants are finding a choice of properties at competitive [illegible]. However, when the market for sales improves, it is reasonable to assume that much of this short-term [illegible] will [illegible].

When the BES schemes are five years old, most investors will want to realise their investments, but perhaps they could be persuaded to postpone sales if rental income were allowed to be tax-free, even if only for two or three years. This would help to underpin what is still a fledgling market and is important not least [illegible] the development of a [illegible] and sustainable rental market would [illegible] significantly [illegible] mobility of the country's [illegible].

M J Angel,
Allsop & Co,
100 Knightsbridge SW1.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Net book agreement benefits booksellers and the public

From Mr Peter Bell.

Sir, The claim by Terry Maher, chairman [illegible], that "the [illegible] that one of the four major publishing [illegible] [Reed] has decided to leave the net bo[illegible] agreement has changed things dramatically" ("Pentos shares rise as £2.9m beats City forecasts", September 4), is misleading.

It is also typical of the "hype" generated by Pentos over the last two years, in pur[illegible] of its aim [illegible] greater publicity and market share, and its one-company drive to abolish the NBA.

The major book division inside the Reed Group, Octopus Books, has never been a signatory to the NBA, and its founder and chairman – Paul Hamlyn – has been well known for his opposition to the NBA over many years. All that has changed is that Reed now also owns a number of publishing houses that were formerly independent, and which supported the NBA.

Many independent reports and government inquiries [illegible] confirmed the widely-held [illegible] that without the NBA there [illegible] be fewer [illegible] published, fewer stockholding bookshops, prices [illegible] general would rise, and the [illegible] in bookshops would decline. In short, the NBA is in the public interest, and without it the public, authors, and the majority [illegible] booksellers, would [illegible].

There [illegible] evidence to show that bookselling standards, including the all-important willingness to obtain for a customer any one of the half a million titles in print, is on the decline in bookshops operated by the national specialist chains, including the Pentos-owned Dillons bookshops.

In the drive to increase market share and turnover at Pentos it could be argued that service, selection, and the interests of book buyers and the book trade in general is easily discounted. Let us hope that the same will not happen elsewhere just to cut the price of a few bestsellers.

For [illegible] NBA were to [illegible] we would all [illegible], along with Pentos' profit. Unbeatable competition from [illegible] Smith on price, [illegible] independent [illegible] on service, would [illegible] Pentos more vulnerable [illegible] discounting.

It is ironic [illegible] that Pentos's figures [illegible] have [illegible] a share price rise. The moral seems [illegible] that a company doing "something" [illegible] perceived as good. [illegible] something [illegible] company's [illegible] interests is [illegible] entirely [illegible].

Peter Bell
Bell's Bookshop,
[illegible] The Shires, Trowbridge,
[illegible] BA14 8AT

FINANCIAL TIMES
Monday September 16 1991

Swedish government faces election defeat

By Robert Taylor in Stockholm

SWEDEN'S ruling Social Democrats, who [redacted] domi[redacted] the country's politics for almost 60 years, appeared [redacted] be heading for [redacted] clear defeat in the general [redacted] yesterday, according to two early exit [redacted]lls.

[redacted] the figures suggested that the four traditional non-Socialist parties which want to form [redacted] coalition government will fail [redacted] gain an overall majority in parliament.

The [redacted] exit polls carried out for Sweden's commercial television channels TV4 and [redacted] public television networks came up with similar results. This is the [redacted] time exit poll have been used in [redacted] Swedish general [redacted].

The exit figures from TV4 indicated that the Social Demo[redacted] to secure [redacted] per cent of the [redacted] compared with [redacted] per [redacted] in [redacted] gen[redacted] election. This will give them only [redacted] in the 349 strong parliament, [redacted] of 30. It would be the party's [redacted] election performance since [redacted].

The four non-Socialist parties [redacted] them polled 46.8 per cent of the vote and will have [redacted] total [redacted] seats, according [redacted] the exit poll. [redacted] the Moderates, led by Mr Carl Bildt, [redacted] is expected [redacted] lead any non-Socialist coalition, secured 18.8 per cent, a rise of 0.5 [redacted].

The poll [redacted] the Liberals 10.7 per [redacted] the [redacted] (down from 12.2 per cent), and the [redacted] party [redacted] fall from 11.3 [redacted] cent). It also indicated that the Christian Democrats would enter parliamnent for [redacted] first time with 7.3 per cent of the vote.

All three small parties – the populist [redacted] Democracy, [redacted] and [redacted] Left party, the old Communists – look set [redacted] secure more than the [redacted] of the [redacted] needed [redacted] win parliamentary [redacted].

The populist New Democ[redacted] expected to poll [redacted] per cent [redacted] and win 23 [redacted]. The Greens are also likely [redacted] come [redacted] with [redacted] per cent of the vote and 18 seats. And the Left party - the old Communists - will stay in parliament with [redacted] per [redacted] of the [redacted] and 17 seats.

If this exit poll prediction [redacted] accurate it [redacted] that [redacted]ish politics could be entering a period of [redacted] instability.

Mr Ingvar Carlsson, the Social [redacted] prime minis[redacted] made it [redacted] on Saturday that his government would not resign if [redacted] four main [redacted] parties failed [redacted] secure a majority.

BCCI and Iran-Contra scandals dog Bush's nominee for CIA head

Gates faces senators' grilling

By Lionel Barber in Washington

MR ROBERT GATES, [redacted] choice of US president George [redacted] the Central Intelligence Agency, will today [redacted] politi[redacted] and legal minefield as he [redacted] persuade sceptical [redacted] he is [redacted] right man [redacted] spymaster.

During confirmation hear*ings* [redacted] *Intelli*[redacted] Committee, he will [redacted] questioned under [redacted] about several big [redacted] of [redacted], including [redacted] Iran-Con[redacted] arms-for-hostages affair, illegal [redacted] shipments [redacted] Iraq and the Bank [redacted] Commerce International (BCCI) scandal.

Concern that Mr [redacted] might [redacted] been involved in [redacted] scandals [redacted] already forced [redacted] delay [redacted] four months in [redacted] hearings. Mr Bush has remained solidly behind his nominee, thus raising [redacted] political importance of the nomination.

These [redacted] have overshadowed the [redacted] substantive [redacted] of the CIA's future [redacted] in [redacted] world [redacted] the Soviet threat – focus of the agency's energies for more than [redacted] years – has diminished, and where many outside experts [redacted] calling [redacted] reorganisa[redacted] of the CIA and its $30bn *annual budget*.

[redacted] Gates, [redacted] on [redacted] is deputy [redacted] security adviser [redacted] the [redacted] Bush, [redacted] hearings will offer [redacted] second chance to [redacted] the [redacted] he has desired [redacted] most [redacted] his professional life.

[redacted] protégé [redacted] Mr William Casey, buccaneering CIA director under [redacted] Ronald Reagan, [redacted] Gates was [redacted] Mr Casey *when he* [redacted] *in* [redacted]. *However,* [redacted] his nomination amid doubts about his know[redacted] the [redacted] dal and his [redacted] in it.

Between 1984 and 1989, Mr Gates [redacted] first as deputy director of intelligence of the CIA, then as deputy director. His occupation [redacted] these [redacted] make many believe he would have found it difficult not to [redacted] known about the [redacted] *operation*.

Mr Gates could face difficulties [redacted] CIA officers testify to the committee on the operation. One [redacted] officer, Mr [redacted], has already implicated higher-ranking [redacted] officials in [redacted] cover-up of the [redacted] and in lying to Congress.

Robert Gates: minefield on the way to the top [redacted] job

The [redacted] Gates's knowledge about [redacted] relationship [redacted] CIA and [redacted] expected to [redacted] face [redacted] the confirmation hearings.

According [redacted] Mr [redacted] Raab, former Commissioner of Customs in [redacted] US, Mr [redacted] BCCI "the [redacted] of Crooks [redacted] Criminals". In [redacted] questions by Mr [redacted] Raab, investigating BCCI, Mr [redacted] no hint that [redacted] CIA was channelling funds for various covert operations – including [redacted] rebels in Afghanistan – through [redacted] bank, which was recently [redacted] down by authorities in various countries [redacted] discovery [redacted] widespread fraud.

Mr [redacted] can [redacted] expect many questions about [redacted] in allowing [redacted] ille[redacted] export of ballistic missile equipment and technology [redacted] by International Signal & Control (ISC), the Pennsylvania company [redacted] centre [redacted] scandal uncovered [redacted] it had [redacted] by Ferranti [redacted] the UK.

The nominee is also likely [redacted] face charges that he manipulated intelligence to [redacted] the Soviet threat in the 1980s, [redacted] allowed [redacted] Reagan [redacted] to justify [redacted] $2,000bn arms build-up. He has [redacted] these charges.

Fears that Mr Gates could be implicated in the Iran-Contra affair [redacted] the main reason why senators agreed to [redacted] delay in the confirmation [redacted]. Democrats are already considering [redacted] delay in a Senate vote so as to force [redacted] withdrawal [redacted] the nomination.

Setback for London share settlement system

By Richard Waters in London

TAURUS, [redacted] London [redacted] Exchange's much-delayed [redacted] system, [redacted] unlikely [redacted] ready by [redacted] revised target [redacted] according to the [redacted] responsible for [redacted] introduction.

The [redacted] by Mr John Watson, the project director behind Taurus, will anger [redacted] in the [redacted] industry, who have been working hard [redacted] develop their own systems in preparation for [redacted] launch. It [redacted] bad news [redacted] investors, because the govern[redacted] has [redacted] will abolish stamp duty on [redacted] transactions only when Taurus [redacted] in[redacted].

[redacted] last week whether [redacted] system would [redacted] ready on time, Mr [redacted] said: "In [redacted]ory, yes. In practice, I [redacted] it." The tight [redacted] set [redacted] development, [redacted] said, had [redacted] allowed any room [redacted] problems [redacted] might arise when building [redacted] system – [redacted] the exchange is having with writing [redacted].

However, Mr Watson strongly defended [redacted] original timetable. "I was [redacted] to [redacted] a [redacted] the [redacted] of [redacted] industry [redacted] *technical development*," [redacted]. "That opens [redacted] criticism that we missed [redacted] it [redacted] achieved [redacted] that [redacted] the industry [redacted] development work [redacted] introduction of the system some [redacted] in [redacted]."

He [redacted] "I [redacted] to put [redacted] contingencies into [redacted] timetable] [redacted] I wanted to [redacted] through. Now I'm changing tack." Rather than set a single target date, the exchange would switch to setting a series of interim targets during the testing of the system, he said. The system would be introduced only when the [redacted] showed [redacted] was working properly.

Mr [redacted] to speculate on when Taurus would be *ready, except to say that it* would be some time next year. Asked whether the original target of May had ever been a realistic one, he said: "I would reject the suggestion that I just picked the date out of the air."

Barclays bank, which faces big systems changes ahead of Taurus because of its activities related [redacted] the [redacted] business, [redacted] the delay would [redacted] further [redacted].

Mr [redacted], a partner in Coopers & Lybrand Deloitte, [redacted] accountancy firm, joined the exchange on [redacted] two [redacted] ago. [redacted] time, [redacted] proj[redacted] – thought by many to be [redacted] important single development in London's attempts [redacted] remain Europe's leading financial centre – *was floundering. Differ*ent interest groups in the securities industry were [redacted] to agree on the system's design.

Mr [redacted] through [redacted] compromise within months and brought Taurus off the drawing board. But political, legal [redacted] problems [redacted] plagued the system.

Lamont optimistic on return to UK growth

By Peter Norman, Economics Correspondent, in London

MR Norman Lamont, [redacted] UK [redacted] of [redacted] exchequer, [redacted] out the prospect [redacted] Britain returning to growth [redacted] in line with previous trends following [redacted].

In an interview with the Financial Times, he rejected suggestions [redacted] membership [redacted] the exchange [redacted] mechanism [redacted] the European Monetary System would [redacted] growth.

"I will [redacted] and [redacted] believe that we have [redacted] a low [redacted] growth permanently [redacted] our membership [redacted] the ERM," he [redacted].

"What we have to do [redacted] improve [redacted] working [redacted] the economy, [redacted] with supply [redacted] reforms, the housing market, [redacted] doesn't come from [redacted] management, [redacted] the performance of industry and the performance [redacted] industry is immeasurably improved."

Although Mr Lamont said he expected Britain's annual inflation rate to fall below that of Germany later this year, he hesitated to predict a drop in UK interest rates below Ger*man levels*. "For all the temporary difficulties of the German economy, I believe that they are extremely strong and will continue to be strong. And it is idle to think that interest rate policy can be formulated without regard to other currencies including the D-Mark".

But Mr Lamont said real, inflation-adjusted interest rates in Britain were not out of line with those of other European countries while nominal rates were close to the average of the last decade, "during which time the economy grew at a very [redacted] indeed".

"I [redacted] no reason why we should have [redacted] niggardly [redacted] growth in [redacted] term."

[redacted] said [redacted] "increasingly confident" [redacted] the UK economy would recover from recession in the current half year.

He predicted that the Conservative party "will win the election, whenever it is."

[redacted] developments in [redacted] European Community's Inter*governmental conference* [redacted] and monetary union [redacted] to [redacted].

Britain had managed "to change [redacted] atmosphere" in [redacted] nine months in the Emu negotiations, he said.

Monday Interview, Back Page, Second Section

Crime and the inner city environment

By Anthony Harris

"There's nothing [redacted] do here. They get fed up with just hanging around. Bound to want some excitement. And how else can they make any money?" Thus the father of one of last week's rioters. Not an excuse, but an explanation of sorts; they've got to be stopped, but perhaps they aren't really to blame.

A lot of brokers and investment bankers in London and New York and Tokyo must know just how the young car thieves and ram raiders of Newcastle and Oxford feel: there is all this glittering machinery, but it is hard to find an honest way to pay for it.

Anyway, they mutter, the authorities are at bottom to blame for neglecting the infrastructure; they should have cracked down when it first became clear that once respectable markets were becoming casinos. Note that markets now racked with scandal are the ones which suffered speculative excesses.

That, perhaps, was the feeling that inspired the Tokyo authorities in drafting their new market regulations. There is a new SEC-like body to enforce good behaviour, with adequate [redacted] of investigation, but penalties that amount [redacted] a light slap on the wrist. However, [redacted] been set up outside the formerly all-powerful Ministry of Finance, much against its wishes.

This completes the humiliation that began when the Bank of Japan tacitly declared [redacted] independence, and reversed the ministry-approved policy of cheap [redacted] so [redacted] the [redacted] for which select investors were compensated.

The Americans have a more robust attitude to wrongdoers, and there is now something of a reign of terror in the investment houses. One after another, senior managers who are even suspected of stretching the rules are being sacked by image-conscious managements.

Meanwhile, Congress is after the official supervisors. Committees are competing to draft *tighter laws, and one has now* demanded to see the diaries and logs of every official in the Fed, the Comptroller of the Currency and the deposit insurers who had any contact with BCCI. They will get them, and publish them, no doubt.

The softly-softly approach in London makes an odd contrast with all this activity. The aim, no doubt, is to protect confidence in the integrity of the markets, not to mention the prestige of the regulators. There is a riot squad of investigators at work, but they are invisible. This seems to me to be a high-risk [redacted]. The lack of high profile policing may help to explain the very thin trading which is making it [redacted] hard to earn an honest living, as it undoubtedly helps to explain why Tokyo is finding it so hard to recover.

In any case, it is not just the supervisors [redacted] should be squirming through an inquisition. The policy-makers [redacted] got away too lightly since Mr Nigel Lawson, by resigning for highly respectable [redacted], made himself a scapegoat. Nobody has yet offered a plausible explanation of how the authorities managed to repeat

The Americans have a more robust attitude to wrongdoers, and there is now something of a reign of terror in the investment houses.

the mistakes of the early 1970s, which must be within the working memory of all the senior officials involved.

That was a softly-softly episode, too. The property market was obviously out of hand, inflated with easy credit, and the Bank did send out some letters. The lenders were fatally slow to respond, and in the interval those of us who were trying to act Cassandra were accused of hysteria. "I can't think why you get so worked up," a senior director chided me at the time. "After all, it's all in real values."

* * *

The Treasury has its own habits of sloppy thinking and, on one subject, seems equally incapable of learning: it is the failure to distinguish between investment and current spending. Corporate treasurers are regularly pilloried for this failure (especially when they declare capital profits as current income); but at the national level, it is taken for granted. Indeed, the whole questionable programme of privatising utilities with virtual monopolies rests on this error: it is only private bodies whose investment is not constrained by the government's current spending.

The latest example is the London Transport capital budget. This is still a public service, so we are told we cannot afford the investment needed to make the network safe and efficient. However, the report from the Monopolies and Mergers Commission suggests that London cannot afford not to spend this money.

Continued neglect will mean disruption at least, and possibly something like paralysis; as run down equipment finally breaks down; a waste of money, and a heavy cost to the economy.

Mr John Major, who may well be in power for some time, and whose heart seems to be in the right place, should be thinking through these problems. He should ask his advisers to dig [redacted] the OECD [redacted] which [redacted] that investment in the infrastructure and in education [redacted] a higher [redacted] of return than virtually any other kind – and for a good basic reason: this is the only form of capital which is infinitely adaptable to changing circumstances and technologies. It [redacted] votes, too.

Privatisation, now proposed for some trunk roads, can be a help in the right circumstances, but that is no excuse for neglecting fundamental needs, or for subjecting [redacted] public [redacted] rules which make no sense in a private enterprise.

The [redacted] most successful competitors certainly have highly effective companies, but thanks partly to Japanese tuition, the UK also has a growing number. Some, but not all, also have better-ordered financial markets. What really distinguishes them from the sluggish British and American economies, however, is much higher spending on infrastructure and education – and higher taxes to pay for it.

This is really where we came in, though it looks quite different: for the persistent faults of British policy, which look simply like bad accountancy (which also explains a lot of corporate sin) result in the end not just in financial strain and recession, but social strain and riots.

Croats fear air raid on Zagreb

Continued from [redacted] 1

Mr [redacted] said [redacted] sank [redacted] four Yugoslav navy minesweepers in Ploce harbour. Croatian Radio reported [redacted] one navy boat [redacted] been captured [redacted] was now sailing under a [redacted] flag, although this [redacted] be confirmed.

Three civilians [redacted] killed on Saturday [redacted] army aircraft [redacted] Bac, a village in [redacted] province of Vojvodina. The army admitted it was a mistake.

Meanwhile, fighting continued in Osijek, the embattled Croat-inhabited regional capital [redacted] Croatia, where at least 33 people [redacted].

At least five people [redacted] killed during fighting between Croat security troops and Serb rebels in Okucani and [redacted] Gradiska, strategic towns in central Croatia, near the main motorway [redacted] Zagreb and Belgrade which [redacted] been [redacted] for two weeks.

Nigeria hit by BCCI fraud

[redacted] from [redacted] 1

exporter had also [redacted] charged [redacted] on [redacted] credit. [redacted] were [redacted] earning interest twice over [redacted] the same let[redacted] credit.

In [redacted] and complex fraud, BCCI officials have confirmed that a secret account was operated within BCCI-Nigeria under [redacted] exclusive control [redacted] expatriate management and directed by top executives in London without the knowledge, [redacted] insist, of local Nigerian [redacted].

Expatriate [redacted] substantial portion [redacted] local currency profits [redacted] by [redacted] Nigeria into this secret [redacted] and then used customer [redacted] divert the money to London [redacted] their own benefit without the knowledge [redacted] account holders.

In addition, [redacted] secret account was used to hold funds [redacted] by BCCI-Nigeria when exploiting the difference [redacted] the [redacted] the black [redacted] exchange [redacted] the naira.

[redacted] periods during [redacted] 1980s, the black market exchange [redacted] Nigerian currency was more than [redacted] official [redacted].

The bank was able to do this [redacted] some of [redacted] illegally [redacted] repatriate personal funds to London, [redacted] knowledge [redacted] Nigerian authories. [redacted] cli[redacted] were told by expatriate executives that [redacted] possible, [redacted] only [redacted].

In a typical deal, [redacted] would, [redacted] pay BCCI-Nigeria naira 1,000 and [redacted] in his London [redacted] $500. [redacted] Nigeria executives would keep the naira [redacted] in their [redacted] account [redacted] then conduct a fraud through which they would [redacted] permission from the central bank to transfer the money to London at the official exchange rate. This would give [redacted] $1,000, twice [redacted] sum they [redacted] initially paid the BCCI-Nigeria client. BCCI and their officials would pocket the [redacted].

The Nigerian central [redacted] would make foreign exchange [redacted] the transfer after BCCI-Nigeria executives [redacted] sums involved were client [redacted] payments on [redacted] credit.

The [redacted] bank would ask for only a verbal assurance from the expatriate [redacted] that the claims were genuine, the BCCI officials say.

According to BCCI [redacted] the Nigerian [redacted] became increasingly disenchanted with the foreign management, resulting in the cancellation of [redacted] management contract at the end [redacted] last [redacted].

BCCI-Nigeria, which [redacted] 60 per cent by Nigerian shareholders and 40 per cent by BCCI, changed its name in July to African Bank International. BCCI retains its shareholding but [redacted] is proposing either to find [redacted] new foreign partner or to arrange the sale [redacted] on the foreign market.

Hong Kong elections

Continued from [redacted] 1

Peking [redacted] a subversive, in common with [redacted] other UDHK members. China [redacted] Mr [redacted] will now have [redacted] whether to [redacted] other, [redacted] present, [redacted] an uneasy truce.

Under an agreement [redacted] between China and Britain, the proportion [redacted] directly [redacted] will slowly [redacted] fill half the [redacted] by 2007. The liber[redacted] have [redacted] more democracy [redacted] a safeguard against Chinese [redacted] in Hong [redacted] 1997 [redacted] will [redacted] control, although Peking has [redacted] to [redacted] further changes.

At a polling station in [redacted] working [redacted] North Point, [redacted] man symbolised what could be at stake. [redacted] fronted by a wall of campaign workers for pro-China candidate Cheng Kai-Nam, the man waved a photograph of Mr Lee and declared: "I will never vote for China."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Berlin	S	24	75	Caracas	C	29	82	Faro	S	28	82	Islamabad	C	26	79
Algiers	S	29	84	Biarritz	[redacted]	25	77	Casablanca	S	25	77	Florence	F	25	77	Istanbul	S	25	77
Amsterdam	R	19	66	Bombay	[redacted]	29	84	Chicago	–	–	–	Frankfurt	S	24	75	Jakarta	F	33	91
[redacted]	S	29	84	Bordeaux	S	26	[redacted]	Cologne	R	22	72	Geneva	S	22	72	Jersey	S	19	66
[redacted]	S	32	90	[redacted]	R	17	[redacted]	Copenhagen	F	19	66	[redacted]	F	25	77	Johannesburg	S	22	72
[redacted]	C	[redacted]	90	[redacted]	C	20	68	Corfu	S	30	86	Glasgow	F	16	61	Lima	[redacted]	19	66
[redacted]	F	26	[redacted]	Buenos Aires	R	22	72	Dallas	C	25	77	Helsinki	S	16	61	Lisbon	S	28	82
[redacted]	C	28	82	Cairo	S	[redacted]	90	Dublin	[redacted]	17	63	Hong Kong	S	29	84	London	C	19	66
[redacted]	C	17	63	Cape Town	R	14	57	Dubrovnik	C	27	81	Innsbruck	F	20	68	Los Angeles	Dr	17	63
[redacted]	F	21	70					Edinburgh	F	18	[redacted]	[redacted]	F	[redacted]	69	Luxembourg	C	21	70

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
[redacted]	F	[redacted]	81	Milan	[redacted]	24	75	Nicosia	[redacted]	32	90	Salzburg	S	19	66	Tenerife	F	28	82
Madrid	S	27	81	Montreal	[redacted]	15	59	Oporto	S	29	84	San Francisco	C	13	55	Tokyo	C	22	72
Majorca	S	29	84	Moscow	[redacted]	12	54	Oslo	S	19	66	Seoul	S	27	81	Toronto	C	16	64
Malaga	S	28	82	Munich	C	19	66	Paris	F	25	77	Singapore	S	31	88	Tunis	F	28	82
Malta	S	30	86	Nairobi		–	–	Peking	R	15	59	Stockholm	R	16	61	Valencia	S	[redacted]	[redacted]
Manchester	C	16	61	Naples	T	33	73	Prague	S	22	72	Strasbourg	S	24	75	Venice	T	23	73
Manila	F	32	90	Nassau	F	32	90	Reykjavik	S	7	45	Sydney	S	23	73	Vienna	F	21	70
Melbourne	[redacted]			[redacted]					S	27	81	Taipei	C	30	86	Warsaw	S	23	73
Mexico City		–	–	New York	S	18	64	Rio de Janeiro	F	32	90	Tangier	S	31	88	Washington	F	22	72
Miami	S	26	79	Nice	S	25	77	Rome	T	19	66	Tel Aviv	F	29	84	Zurich	C	20	68

Temperatures at midday yesterday C–Cloudy [redacted] F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet [redacted] T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday September 16 1991

INSIDE

Trump shuttle plan fails to take off

Plans [redacted] Northwest Airline, the fourth biggest US carrier, to [redacted] the Trump Shuttle [redacted] disintegrated after four months of negotiations. Mr Donald Trump (left), the heavily-indebted New York investor, [redacted] agreed to give up control [redacted] the carrier [redacted] part of the restructuring [redacted] faltering empire. [redacted] 21

Fed ends the waiting

Last Friday the [redacted] Reserve finally did what the [redacted] have been anticipating, [redacted] politicians urging, for weeks now: it [redacted] eased monetary policy with [redacted] half-point [redacted] in the discount rate and [redacted] quarter-point reduction in Fed Funds. Martin [redacted] reports [redacted] New York. Page 22

Bonds rally down under

Australian government bonds staged [redacted] minor rally last week as the secondary market digested a surprise 100 [redacted] points cut [redacted] official cash [redacted] at the beginning of the month. Page 22

Banks agree to merge

Two of Austria's largest savings banks, [redacted] reichischeLänderbank [redacted] Zentralsparkasse, have agreed to their long-awaited [redacted] Page 21

Italy's future attraction

Competition for [redacted] in Italian government bond futures is expected to hot up this week with the launch of a new [redacted] [redacted] London International Financial Futures Exchange (Liffe). [redacted] Webb reports. Page 21

Drug sales halted

Kabi Pharmacia, pharmaceutical [redacted] of [redacted] Procordia, [redacted] Mictrol/Miturin, a [redacted] for urinary incontinence, after several patients died after using the product. Page 21

Hostile bidders

Dowding and Mills, the UK electrical [redacted] mechanical repair group, today [redacted] a hostile £13.6m ($23m) bid [redacted] Torday [redacted] Car[redacted], the engineering group. Page 20

GEC may take Ferranti missile unit

By David White, Defence Correspondent, in London

FERRANTI International is close to agreement on transferring its missile activities [redacted] GEC as settlement for an outstanding financial claim.

The transfer [redacted] belonging to Ferranti's [redacted] systems [redacted] would [redacted] a dispute [redacted] the [redacted] over [redacted] GEC paid [redacted] for [redacted] Defence Systems.

The deal depends on a commitment [redacted] the United Arab [redacted] on [redacted] final stages of a secret [redacted] for air-launched [redacted]. This contract, [redacted] more [redacted], [redacted] Ferranti's principal [redacted] of guided-weapon business.

GEC's purchase in early 1990 of Ferranti Defence Systems, including airborne radar and navigation equipment, was crucial to the rescue of Ferranti after it was hit by a £215m fraud. But under the deal GEC was able to put the price to arbitration, claiming the Ferranti assets were overvalued. Last Friday, GEC announced 800 redundancies at the former Ferranti unit.

The outstanding [redacted] believed to be around £45m. The proposed [redacted] save Fer[redacted] pressure on [redacted] cash resources and [redacted] it [redacted] exit an export contract which has run into a payments deficit.

GEC declined to comment on the negotiations, but it is believed to have been near agreement for about two months.

The company has been in discussions in the UAE over payments on the third phase of the Ferranti project.

In the aftermath of the closure of Bank of Credit and Commerce International, controlled by Abu Dhabi and its ruling family, there have been fears about how much the UAE is prepared to set aside for this and other defence contracts.

The proposed handover to GEC follows the recent sale by Ferranti of the warheads and explosives operations of its Marquardt subsidiary in California to a specially-formed company, MA Acquisition, for $15m.

The UAE project was inherited by Ferranti from International Signal [redacted] (ISC), [redacted] US group [redacted] over – with [redacted] trous consequences – in 1987. [redacted] missile [redacted] listed by [redacted] proved to be non-existent.

Neither Ferranti nor GEC has been prepared to divulge information about the UAE [redacted] companies [redacted] the customer has insisted [redacted].

As prime contractor, GEC would be [redacted] maintain supplies from [redacted] Ferranti group but [redacted] also involve other contractors.

Background, Page 11

Nikki Tait reports on plans to overhaul the Philips white goods business by its new owner, Whirlpool

Waiting to see what comes out in the wash

National washing habits are of considerable concern to Mr Jan Prising, 18 [redacted] job of [redacted] ing Philips's European-based [redacted] business [redacted] US owner, Whirlpool Corporation.

[redacted] "We [redacted] (the British) will accept top-loading washing [redacted] Or [redacted] will accept front-loaders [redacted] top [redacted]."

This [redacted] startling considering the numerous cramped British kitchens, with appliances squeezed [redacted] precious surface [redacted].

But [redacted] quibbles [redacted] raised, Mr Prising, [redacted] Whirlpool [redacted] vice-president [redacted] in the [redacted] group [redacted] meeting, hastens on to [redacted] broader point: "So this is what [redacted] been looking at – more commonality, [redacted] standardisation, and a more common marketing approach."

Only then [redacted]: "Of [redacted], this globalisation [redacted] a buzz-word; we have to consider that there are still local distinctions."

From Whirlpool's point of view, Mr Prising had better be right. [redacted] marriage between America's largest manufacturer [redacted] major appliances and [redacted] former Philips-run operation has been [redacted] in the making, and much [redacted].

The US company [redacted] acquired 53 per cent of Philips in 1988 for $470m. It bought the remaining [redacted] June. [redacted] result, about one-third [redacted] the group's [redacted] were [redacted] from Europe last year.

[redacted] for a substantial [redacted] in Europe [redacted] simple.

US HOME APPLIANCES 1990 market share*	%
Whirlpool	32.8
GE	[redacted]
[redacted]	17.2
Maytag	[redacted]
Raytheon	[redacted]
Others	[redacted]

*Clothes washers and dryers, refrigerators, [redacted]
Source: Appliance magazine

Whirlpool [redacted] US [redacted] –General Electric, Maytag, [redacted] Electrolux – [redacted] shows minimal growth. This year it decline sharply [redacted] recession. Analysts say competitive pressure in [redacted] could increase, although Mr Dave Whitwam, Whirlpool's chief executive, disputes this. [redacted] European market, by contrast, is divided among dozens [redacted] manufacturers and offers healthier, [redacted] scarcely buoyant, prospects.

Mr Whitwam [redacted] "Europe will grow [redacted] more significant rate in the [redacted] US over the 1990s. [redacted] will [redacted] annual growth of 2 to 4 per cent; the US perhaps 1 to 2 per cent."

So, if this is to be a major motor for the group in coming years, how is Whirlpool tackling the former Philips business? The question [redacted] intriguing because Philips [redacted] overhauling its remaining businesses, slashing jobs and shaking [redacted] lethargic corporate culture to reverse years of lacklustre profitability. Presumably, Whirlpool inherited [redacted] inefficiencies behind [redacted] company's decline.

Analysts view the European challenge as a matter of margin improvement. Attention centres on Germany, which has powered the business lately but may be losing [redacted].

Mr Nick Heymann, at County NatWest, [redacted] "It's [redacted] question [redacted] whether cost reductions [redacted] distribution, marketing and so on, can offset local market weakness."

To an extent, Whirlpool concurs. Mr Whitwam has said the aim is to increase margins on the former Philips business. But both he and Mr Prising emphasise this is not the entire game plan.

Mr Whitwam says: "What attracted us to the Philips white goods business was the base which it provided. It had a pan-European manufacturing system, pan-European distribution and pan-European brand awareness. What we are now doing is restructuring that to deal with the realities of the '90s."

It is less easy to elicit details of progress on this strategy, though the company has explained its branding plans. These include a new "Philips Whirlpool" brand, without a hyphen so the Philips name can be dropped when Whirlpool becomes accepted.

In early 1991, marketing support was restructured from country-by-country into [redacted] units – one to handle the German-origin Bauknecht brand, and the [redacted] the [redacted] pool, Ignis and Laden labels. The aim is to push this further.

Mr Prising believes the products can be standardised to a great extent, making few concessions to national prejudices.

He maintains that up to 80 per cent of product lines could be unique to one country [redacted] that this figure could be cut "considerably".

Distribution, too, has moved [redacted] Europe-wide set-up. [redacted] Mr Whitwam points to duplications which could be eliminated, such as research and development.

Mr [redacted] contrasts the manufacturing possibilities with Whirlpool's recent restructuring in the US. "We've taken off 20 per cent of the manufacturing floorspace in the US. We will do that in Europe if it's [redacted] to maintain [redacted] improve our competi[redacted] position, but today we don't have [redacted] those opportunities [redacted]."

He [redacted] "The [redacted] efficient than most people give it credit for – it had been through a [redacted] rationalisation before we bought it. It was [redacted] business which had a healthy plant and capital structure, the tooling and all those things were up-to-date."

Both men are unwilling to set deadlines for completing the overhaul of Philips. Mr Prising talks about the problems of changing attitudes within Phili[redacted] and the rapidly changing European environment.

Mr Whitwam is [redacted] helpful: "Jan's [redacted] probably [redacted] an [redacted] about [redacted] months from now."

Photo: Trevor Humphries
Mr Dave Whitwam: dealing with the realities of the 1990s

VRN issue raises $250m for Credit Lyonnais

By Simon London in London

CREDIT LYONNAIS [redacted] raised $250m of capital through an [redacted] of [redacted] rate notes, the first [redacted] for nearly a year and [redacted] which bankers [redacted] will re-open a valuable source [redacted] capital for international banks.

Until last [redacted] the VRN market was one [redacted] the [redacted] capital for international banks, with $8bn [redacted] years. However, concern [redacted] the deteriorating credit quality of many banks [redacted] the market. The [redacted] new [redacted] was in October 1990.

The [redacted] Lyonnais issue, arranged by Merrill Lynch International, underlines the determination of banks to raise capital in spite of difficult market conditions. The terms are the most generous seen on a VRN issue.

Banks are under pressure to build capital resources to comply with the Basle accord on international bank capital adequacy from January 1993.

The agreement [redacted] a minimum [redacted] ratio of 8 per cent. Half [redacted] this capital must be Tier I, comprising common equity [redacted] preference [redacted]. The [redacted] can be Tier II capital including subordinated instruments such as variable rate notes, reserves and certain provisions.

Last week National Westminster bank raised £140m and $200m of core capital through issues of preference shares in the UK and US markets.

The interest margin on variable rate notes is reset at regular intervals through an auction process. At each auction noteholders either specify the interest margin at which they are prepared to hold the paper or opt to sell the bonds back to the "remarketing agent", an investment bank which manages the auction process.

However, the cost of capital to the issuer is subject to an upper limit. If too many investors try to sell the bonds back to the remarketing agent the auction process is suspended and the notes pay the fall-back margin.

The undated Credit Lyonnais issue pays an interest margin of 0.85 per cent [redacted] the three-month London interbank offered rate. If the auction process is suspended the notes [redacted] fall-back margin of 1 per cent over Libor.

The issue is cumulative – if interest payments are suspended they mount up for payment at a later date. The bank will pay interest on any suspended interest payments.

German winds of change blow over the EMS

Economics Notebook

By Peter Norman

THE European Monetary System may be on the threshold of significant change.

The EMS has been dominated by the D-Mark and the Bundesbank for as long as anyone can remember. Early ideas that the Ecu or European Currency Unit should be "at the centre" of the EMS were supplanted by the reality of the D-Mark acting as the system's counter-inflationary anchor.

It was a role that at first irritated the German monetary authorities but which later became a matter of pride for Mr Karl Otto Pöhl, the former Bundesbank president. A fleeting visit to Frankfurt last week was sufficient to raise questions as to whether this state of affairs can continue.

One veteran observer of the European monetary scene said conditions in Germany now reminded him of Britain in 1988, when the Lawson boom was underway. A new tolerance of inflation was unmistakable in conversations with long-standing business acquaintances.

In the past, consumer prices rising in the former west Germany at annual rates of above 4 per cent in July and August would have caused of shock. Last week, such figures prompted a shrug of the shoulders and a passing reference to the costs of unification.

Obviously, such contacts do not amount to hard evidence of a change in attitudes. And pitched against such views is the might of the Bundesbank and the determination of its new president, Mr Helmut Schlesinger, to bring inflation back to an average 2 per cent in the years ahead.

But in an interview with Les Echos, the FT's French sister paper, last week, Mr Schlesinger was candid about the problems facing Germany.

The Bundesbank could not be content that the headline rate of inflation had fallen from an annual 4.4 per cent in July to 4.1 per cent in August. It had to be on its guard against a resurgence of inflationary expectations. It was especially concerned about prices rising in the construction sector by more than 10 per cent as well as higher rents and land prices. Above all, it was concerned by higher wage and salary costs.

Mr Schlesinger [redacted] that demand in Germany [redacted] running ahead of supply. [redacted] of this [redacted] a record pan-German current [redacted] deficit of DM8.8bn in July.

[redacted] have triggered alarm bells in the City of London. [redacted] Paul Chertkow, [redacted] currency [redacted] in London, [redacted] that the last month's 0.25 percentage point increase in the German lombard rate to 9.25 per cent was insufficiently rigorous given the inflationary pressures in the German economy and in particular in view of an escalation of wage claims to 10 per cent in some cases.

Last week, Warburg Securities' economists Mr Ian Harwood and Mr Magnus von Wistinghausen said they were convinced that the Bundesbank would have to tighten monetary conditions again to hold domestic inflationary expectations in check and discourage an inflationary pay round in 1991-92.

All of which brings us back to the EMS. No fewer than five EMS members had inflation rates lower than Germany in July. There is, moreover, every chance that Britain's headline rate of retail prices inflation will drop below the comparable German rate in October.

If Germany is forced to raise interest rates in the months ahead, how will [redacted] countries react? The question is particularly acute for some of Germany's partners in the narrow band of the EMS exchange rate mechanism.

Last week, short-term money market rates in Paris, Amsterdam and Brussels were all hovering around [redacted] levels. [redacted] Belgian [redacted] Bank [redacted] engineered [redacted] month and overnight [redacted] higher to prevent them falling [redacted] comparable [redacted] rates. It is thought the Belgian authorities acted to prevent any weakening of the Belgian franc against the D-Mark. But such interest rate harmonisation means higher real interest rates in those countries with less inflation than Germany.

It is open to question how far they will tolerate such conditions, especially [redacted] discount [redacted] and [redacted] associated prime rate reductions to [redacted] by [redacted] US [redacted] mean [redacted] US [redacted] nesses can borrow [redacted] far more [redacted] than their European competitors.

In [redacted] "Global Markets" report, J P Morgan Securities has argued that short-term [redacted] in Belgium, the Netherlands and France [redacted] fall below [redacted] Germany [redacted] months, [redacted] is an upward [redacted] in German rates. [redacted] significant moment in [redacted] history [redacted] EMS [redacted] without importance [redacted] UK.

At present [redacted] of England [redacted] the Treasury believe [redacted] British [redacted] can [redacted] below [redacted] levels. However, this view [redacted] change [redacted] the [redacted] is seen to be [redacted] in controlling [redacted] and [redacted] currencies, led by the French franc, break through [redacted] EMS [redacted] set by [redacted] D-Mark.

Slow Progress

[redacted] the Group [redacted] leading industrial countries [redacted] in [redacted] at the weekend [redacted] discuss how [redacted] help [redacted] Soviet [redacted] of economic [redacted].

If the experience of the International Monetary Fund in eastern Europe is [redacted] guide, they [redacted] problems [redacted] difficult than anything they can imagine.

Mr Bahram Nowzad, [redacted] IMF's chief editor, told a meeting of the Overseas Development Institute in London that carrying through the economic transformation [redacted] the former Communist states has been far harder [redacted] expected.

- [redacted] learned [redacted] it was [redacted] than [redacted] it.
- [redacted] declines [redacted] output [redacted] employment associated with economic restructuring [redacted] been far greater [redacted] pated.
- It [redacted] emerged that micro-economic aspects of reform, [redacted] introduction [redacted] Western-style accounting [redacted] restructuring [redacted] production, were of critical importance [redacted] the prog[redacted] macro-economic [redacted] and made [redacted] more complex.
- [redacted] to [redacted] changes [redacted] as price [redacted] linking [redacted] former communist countries [redacted] the world [redacted] longer [redacted] anticipated. In [redacted] process a great deal [redacted] the capital stock of [redacted] in transition [redacted].

Western policy [redacted] are not [redacted] envied. [redacted] problems [redacted] Soviet [redacted] are far greater [redacted] Europe [redacted] need for solu[redacted] urgent.

Warburg claims Treasury bid error

By Simon London

S.G.WARBURG has given its first full public [redacted] why it did not [redacted] US [redacted] in April that [redacted] $3.5bn false [redacted] a Treasury [redacted] in the name [redacted] Mercury [redacted] Management, its investment management subsidiary, by Salomon Brothers.

In a [redacted] yesterday, Warburg [redacted] it was first aware of a [redacted] in the name of Mercury in mid-April following a routine letter from the US Treasury.

The letter said future bids from Warburg and Mercury [redacted] be aggregated as part [redacted] the [redacted] to prevent [redacted] buying more than [redacted] cent of [redacted] Treasury [redacted].

[redacted] letter [redacted] $3.5bn bid in [redacted] name [redacted] cury in [redacted] February [redacted] – 35 per cent of the $9bn auction – [redacted] a $100m [redacted] by Warburg.

[redacted] Mercury [redacted] bid. A copy [redacted] was [redacted] Mr Paul Mozer, since [redacted] of [redacted] trading at Salomon [redacted].

According [redacted] Warburg, Mozer explained [redacted] "a [redacted] had [redacted] mistakenly [redacted] Mercury's name [redacted] clerical error [redacted] Salomon, [redacted] the mistake had [redacted] promptly caught [redacted] corrected internally and that [redacted] bid[redacted] had in fact [redacted] securities."

According to Warburg, [redacted] Mozer said he [redacted] report [redacted] error to the Treasury. Mercury accepted this and did [redacted] tell the Treasury [redacted] the February bid.

Warburg said: "Clerical errors are not uncommon in paper-intensive and [redacted] cal [redacted] such as [redacted] process in US government [redacted]."

COMPANIES AND FINANCE

Dowding & Mills in £14m bid

By Richard Gourlay

DOWDING & MILLS, the electrical and mechanical repair group, today launches a hostile £13.6m bid for Torday & Carlisle, the engineering group.

The 7-for-5 all-share offer values the Torday & Carlisle shares at 84.7p, about 33 per cent above Friday's closing price.

Mr Jim Cole, the Dowding chief executive, said Today's Diesel Marine International (DMI) and Elfab Hughes engineering companies would fit well with existing businesses and that the loss-making Oldham Signs would be sold.

Dowding said that on Friday it bought 5.9 per cent of Torday's shares in the market at 63.5p.

A spokesman for Torday said the board would meet this morning to consider the offer.

He said that DMI, one of the world's largest refurbishers of diesel engines, and Elfab Hughes, a maker of valves for the petro-chemical industry, were both profitable.

County NatWest, the company's brokers, expects Torday to incur a loss for the full year. At the interim stage it reported a pre-tax loss of £634,000 compared with a £1.52m profit in the comparable period in 1990.

Pre-tax profits at Dowding and Mills fell 9 per cent to £5.11m in the six months to December.

Mr Cole said Dowding had approached Torday last October to talk about buying DMI. Dowding was told the company was not for sale.

In April, some institutions were surprised when Sir Michael Carlisle, a non-executive director, sold half his stake in Torday & Carlisle at 150p only weeks before the company warned that profits would decrease in the second half.

The Torday spokesman said Sir Michael had no knowledge that a profits warning was to be made.

Mr Paul Torday, the chairman, and Mr Humphrey Odd, the finance director, sold shares on March 25 at 148p in order to exercise options.

The spokesman said these transactions increased their stakes in the company.

Mystery project on the verge of a third phase

David White charts the history of Ferranti's largest remaining missiles contract

THROUGH all its troubles, Ferranti International has tried to maintain secrecy about one of the world's most puzzling arms contracts. The fear has been that a burst of publicity could cause the contract, involving a unique range of air-launched weapons for the United Arab Emirates, to fall through, severely damaging Ferranti's recovery efforts.

The first official mention of the contract, worth more than £300m, came last year when Ferranti referred to "a major and profitable contract to produce a family of missiles for an overseas customer."

Shrouded in mystery, the project known as Al-Hakim is the largest single development and production contract held by Ferranti since it sold off the "jewels" of its business – including airborne radar – to GEC early last year.

The project is also Ferranti's biggest business remaining in missiles, following the RAF's decision to withdraw its ageing Bloodhound air defence missiles from service this year.

Ferranti's ambition to develop its interests as a missile manufacturer were central to the idea of taking over International Signal and Control (ISC) of the US in 1987. Buying ISC, which was built up and sold to Ferranti by Mr James Guerin, exposed Ferranti to a fraud costing it an estimated £215m.

Now Ferranti is on the verge of transferring its missile business, with the UAE contract, to GEC as settlement for the excessive price GEC reckons it paid in its £270m purchase of Ferranti Defence Systems.

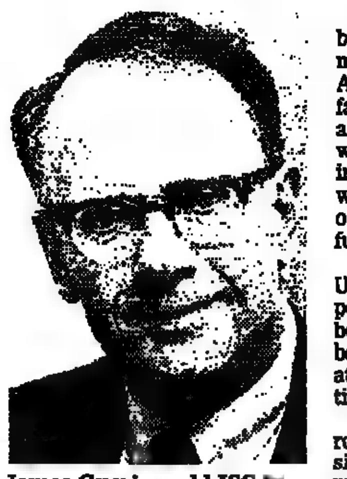
The transfer depends on GEC being able to secure UAE finance for the third and most ambitious phase of the project. The early stages were funded by payments made to Ferranti in 1987 and 1988, but a cash deficit subsequently built up.

Defence experts were astounded by the scale of the project for a small country like the UAE – a large number of weapons, including some with a capability beyond any that Britain's Royal Air Force possesses.

Even the project's title is a mystery. Ferranti says it has never known it as Al-Hakim. Under ISC, which is believed to have concluded the deal in 1984, it appears to have gone by the name of Alpha. Engineers at Dassault, the French aircraft company which has the task of fitting the weapons on the UAE's fighters, refer to it as the [illegible] project.

The programme caused a row between the UAE and the French because of the difficulty of incorporating the weapons on Mirage 2000E jets. French policy is to export aircraft with all weapons included. The UAE turned down alternative French weapons, and Mirage deliveries were delayed.

Earlier this year two Mirages in desert camouflage belonging to the UAE's air force, were seen at Dassault's test centre at Istres in southern France being fitted with special laser "pods".



James Guerin: sold ISC to Ferranti in 1987

The system being developed by Ferranti is described as more sophisticated than the AS.30 laser-guided air-to-surface missile which the French air force employed in the Gulf war. The RAF has been seeking a "stand-off" anti-armour weapon but has so far failed to obtain Treasury approval to fund development.

The first two phases of the UAE programme involve 500-pound and 1,000-pound guided bombs, similar to some of the bombs used by allied forces to attack Iraqi military installations.

The third phase, adding a rocket motor, is thought to be similar to the US Maverick missile, made by Hughes Aircraft and Raytheon. This has been supplied to several other Middle East countries including Saudi Arabia, Israel and Egypt.

UK Ministry of Defence officials raised questions about the ISC/Ferranti project in 1989. It is thought that ISC may have invented an additional, non-existent contract with the UAE in parallel with the genuine deal – one of the series of phoney contracts involved in the fraud.

According to a former senior official, the MoD intervened in early 1989 to alert the UAE authorities to its worries about the project. In particular, it was believed that South Africa was involved in developing the rocket motor for the missile. Ferranti representatives have, however, denied any South African connection.

The programme has since been quietly going ahead, with deliveries proceeding for the first two stages. The weapons involve production both in the UK and in the US at Ferranti Aerospace Inc. Export licences are understood to have been issued by both governments.

GEC has remained silent about its interest in taking over the project. However, the missile activities now concentrated in Ferranti's Aerospace Systems division would clearly help the GEC-Marconi defence group to build up its own missile business and its capacity to design whole weapons.

Traditionally a supplier of guidance systems, GEC-Marconi is now seeking to enter the business as a prime contractor. In an alliance with Matra of France it is competing against British Aerospace to produce a new air-to-air missile for the RAF. It would also be a prime candidate to develop a stand-off anti-armour weapon if and when the UK decides it can afford one.

NEWS DIGEST

Elys drops 36% to £203,000

ELYS (Wimbledon), the department store retailer, recorded a 36 per cent decline in profits in the half-year to August 3, citing the severe recession in the south-east of England and the increase in the rate of VAT as the main causes.

On a marginal increase in turnover from [illegible] to £5.72m, pre-tax profits fell from £318,000 to £203,000 in the period under review.

Mr John Moyle, chairman and managing director, said there was still little evidence yet of an upturn in the non-food retail sector. He warned that if there was no recovery in retail spending in the traditionally stronger second half, there would be a substantial drop in this year's profits.

Earnings per share declined to 11.2p (17.2p). The interim dividend is however, maintained at 1.5p.

Beradin advances to £56,000

Beradin Holdings, the rubber and palm oil producer, lifted pre-tax profits from £44,000 to £56,000 in the first half of 1991.

Although the oil palm fresh fruit bunches crop fell to 7,576 tonnes (8,970), turnover in the period rose to £267,000 (£241,000). Estate profits were sharply up at £72,000 (£30,000), but a fall in interest receivable to £11,000 ([illegible]) helped keep operating profits down to £96,000, a rise of only £15,000.

Earnings edged ahead to 0.24p (0.2p) per share.

Willis Corroon expands in US

Willis Corroon, the insurance and reinsurance broker, has announced the acquisition of Frederick & Company and Facciani & Company of Nevada, actuarial and consulting firms based in Cleveland, Ohio and Nevada at a cost of around [illegible].

The deal is expected to strengthen Willis Corroon's presence in the mid-west.

Berry Starquest net assets at 177.5p

Net asset value per share of Berry Starquest, an investment trust managed by GT Management, stood at 177.5p at July 31 1991, compared with 190.6p a year earlier and with 143.2p at the January 31 year end.

Profits before tax at the interim stage came through at £169,000, unchanged from the figure a year earlier. Earnings per share were, however, up slightly at 2.3p (2.1p).

Again there is no interim dividend.

£8m buy-out at Deans Farm Eggs

Dalgety, the food and agribusiness group, is selling Deans Farm Eggs to a management team led by Mr Peter Dean, its chief executive.

Total consideration for the net assets is £8m, of which £5m will be paid on completion and the remainder over four years.

Thomas Walker falls 81% to £55,815

Pre-tax profits of Thomas Walker, maker of smallwares for the clothing industry, fell 81 per cent from £289,176 to £55,815 in the year to June 30 1991.

Earnings per share declined to 0.38p ([illegible]) and the directors are recommending a reduced final dividend of [illegible] (1.22p) making 0.875p (1.48p) for the year.

Holmes under fresh fire from investors' group

By Richard Gourlay

Holmes Protection, the debt-laden US security and alarm company which is quoted in London, is under renewed pressure from the investors' group which is trying to remove the current management.

Sir Ian MacGregor, a leading member of the group, has written to shareholders criticising the management's [illegible] debt-restructuring proposals.

Sir Ian says the plan will dilute income and leave a business so laden with debt that all prospects of profits will be wiped out. Holmes has been in default on its loans since early this year.

The Holmes board last month asked shareholders to back the debt-restructuring plan at a Special General Meeting on September [illegible].

Mr Tom Mayer, Holmes chairman since last autumn, says the proposals would allow a more [illegible] [illegible] for the sale of [illegible].

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Neste (Finland)	Sovereign Oil & Gas (UK)	Oil and Gas	£80m	DTI to scrutinise
Eramet (France)	[illegible] (Sweden)	Steel	£75m	Kinnevik sells, improves finances
Bilfinger & Berger	Beazer Asia (Hong Kong)	Construction	£36m	Beazer [illegible]
Southerwestern Bell (US)	Telefonos de Mexico (Mexico)	Telecoms	£270m	Stake doubled to 10%
Statoil (Norway)	Verbundnetz (Germany)	Gas Supply	£17m	[illegible]
[illegible] Group / Adolph Coors (US)	JV	Brewing	£35m	65-35 ownership split
[illegible] Bell (US)	Coal [illegible] Holding (UK-owned)	Mining	£2m	Conditionally agreed sale
American Home Products (US)/ Eisai (Japan)	Wyeth-Eisai (JV)	Pharmaceuticals	£8.6m	Trend for US-Japan links
Alexander Proudfoot (UK)	[illegible]	Consultancy	n/a	[illegible] parent [illegible]
St Gobain (France)	[illegible] (Germany)	Glass	n/a	[illegible] 60%

Source: FT Mergers & Acquisitions International

The recent burst of activity in the oil and gas sector continued last week with two deals instigated by Neste of Finland, writes Brian Bollen.

Neste's agreed £80m bid for the balance of Sovereign Oil & Gas which it does not already own, represents a significant step in its strategy of expanding its exploration and production activity in the UK continental shelf. The bid also put the UK government's attempts to control the acquisition of British companies by foreign state-owned groups back in the limelight. The DTI said it will consider the issues of foreign state control before deciding whether to refer the bid to the Monopolies and Mergers Commission.

Neste also announced the industry's second major agreement in a week in what was the Soviet Union. Neste will hold 35 per cent of a joint venture it set up with Eesti Kutus, called Estonian Transoil, to build a petroleum products terminal at Tallinn's New Harbour. The project is budgeted to cost around US$50m.

Norwegian state oil company Statoil confirmed the purchase of the 5 per cent stake in eastern Germany's Verbundnetz Gas which it was offered last January.

Elsewhere, the picture was again very much dominated by joint ventures, the acquisition of strategic stakes, increases to existing stakes and finance-driven sales.

Kleinwort Benson is claiming a first with its agreement with Korea Investment Trust Company – the M&G of South Korea – to form Korea Investment Management Europe. This City-based company is the first South Korean-UK investment joint venture, says Kleinwort, which will own 30 per cent of the venture.

The joint venture between American Home Products and Tokyo-based Eisai continues the perceived trend towards links between US and Japanese pharmaceuticals companies.

In the week that troubled construction group Beazer published the pathfinder prospectus for the planned float of its UK housebuilding, contracting and property group, the sale of its Hong Kong-listed Beazer Asia arm as part of its debt reduction and refocusing programme passed almost unnoticed.

The sale of Kloster Speedsteel to French state-controlled industrial group Eramet should help Swedish investment group Kinnevik improve its financial position.

COMPANIES AND CAPITAL MARKETS

Austrian banks reach agreement on merger terms

By Judy Dempsey

TWO OF Austria's largest savings banks, Osterreichische Länderbank and Zentralsparkasse, have agreed their long-awaited merger.

The link will create the country's largest financial institution, with combined assets of US$40bn.

It is also likely to make the country's banking system more competitive, [redacted] both [redacted] domestic and international markets.

The [redacted] bank, which will be called Z-Landerbank, Bank Austria, and which will have more than 400 branches, will start operations on October 7.

Domestically, the bank will dominate the retail market and the combination of the two will produce 1m customers. More than 36 per cent of Zentralsparkasse's [redacted] liabilities consisted of savings deposits, compared with Länderbank's [redacted] per cent.

Internationally, it will concentrate on building up a profile in eastern and western Europe. Foreign business makes up almost 40 per cent of Länderbank's total assets, compared with 19.5 per [redacted] Zentralsparkasse.

The delay in finalising the merger, first mooted in [redacted], hinged on reaching agreement on the allocation of shares.

The Republic of Austria had held a 51 per cent stake in Länderbank, but this will be reduced to 25 per cent because Länderbank will own half the new bank.

In the case of Zentralsparkasse, whose supervisory board is controlled by the City of Vienna, 58 per cent of the voting capital will be held by Anteilsverwaltung-[redacted]kasse, the holding company of Zentralsparkasse, and 26 per cent of the voting capital by the Republic of Austria.

Three investment funds target eastern Europe

By Judy Dempsey

CREDITANSTALT-Bankverein, [redacted] bank, is [redacted] paying to launch three investment funds targeted for Poland, Hungary and Czechoslovakia, despite the recession in the region.

The bank says the funds are aimed at western institutional investors, and will focus on those enterprises in central Europe already exporting to hard currency countries.

The first fund, CA Hungary Investment Partners, which will initially amount to $75m, will invest in small and medium-sized unlisted companies and ventures in Hungary.

Mr Robin Nydes, of Creditanstalt Investments International, says he is optimistic despite economic uncertainties such as last year's 5.5 per cent fall in GDP, an annual inflation rate of 30 per cent, and the collapse of trade with Comecon, the former socialist trading bloc.

The CA Central Europe Fund, which is open-ended, will invest in medium to large [redacted]. It will include the [redacted] Europe, Austria, Germany [redacted] Switzerland.

The CA New Europe Equity Partners, which will range [redacted] DM50m [redacted] DM100m, ($57m) will invest in established, but [redacted] companies in Austria, Switzerland, and Germany. These companies will [redacted] national growth potential.

Mr [redacted] Webb, who is overseeing this fund, said it had been operating since last January because of rising [redacted] among institutional [redacted].

Despite the instability in the Soviet Union, the [redacted] among Creditanstalt and merchant [redacted] in London is that the rewards in investing in eastern Europe may begin to outweigh the risks.

AMB stake confirmed by French insurer

By Katharine Campbell in Frankfurt and William Dawkins in Paris

ASSURANCES Générales [redacted] France [redacted] confirmed [redacted] it has acquired [redacted] 15 [redacted] stake during the past 18 months in Aachener [redacted] Münchener Beteiligung, the German insurance [redacted], at [redacted] cost [redacted] FFr1.5bn ($260m).

However, AMB [redacted] that [redacted] Assurances Générales had not applied [redacted] register its shareholding, it could not [redacted] mate the size of the [redacted]. AGF [redacted] part [redacted] its 15 per [redacted] registered, but did not disclose [redacted] proportion.

Earlier in the [redacted] AMB announced it was not prepared to register the AGF holding, so the French are unlikely to apply for registration unless they [redacted] a change of heart in Germany.

AMB [redacted] confirmed it [redacted] co-operation talks with AGF, but [redacted] clear that [redacted] preferred European [redacted] egy would revolve around developing closer [redacted] Royal Insurance and Fondiaria. Royal, however, which has an 18.8 per cent stake in AMB, is struggling with losses and is assumed to be looking for a buyer for its holding.

AMB [redacted] poured [redacted] resources into shoring up the balance sheet of BfG Bank, the ex-trade union bank it bought with the aim of opening up new sales channels, [redacted] the expense of developing a wider European presence.

Procordia to withdraw drug

KABI Pharmacia, the pharmaceutical division [redacted] Sweden's Procordia, is to [redacted] the drug Mictrol/Mitrarin after several patients died following use of it.

Sales [redacted] Mictrol/Mitrarin, the leading drug for urinary incontinence, amounted [redacted] SKr200m [redacted] Pharmacia's total [redacted] of SKr8.4bn ($1.4bn) in 1990. Between 1.5m and 2m [redacted] have [redacted] treated with it. [redacted] to Kabi showed that [redacted] least eight patients had died following [redacted] abnormal heart beats.

Northwest Airlines abandons plans to operate Trump Shuttle

By [redacted] Zagor in New [redacted]

PLANS by Northwest Airlines, the fourth biggest US carrier, to operate the Trump Shuttle have disintegrated after four months [redacted] negotiations.

The deal fell apart after Northwest failed [redacted] reach an agreement with the International [redacted] Machinists [redacted] acceptable labour contracts. The [redacted] represents more than 100 Trump Shuttle baggage handlers and other workers at Northwest. Tenta[redacted] agreements were reached with [redacted] unions representing Trump Shuttle employees.

Mr Donald Trump, [redacted] heavily-indebted New [redacted] investor who bought the Washington-New York shuttle service from Eastern Air Lines [redacted] ago, had agreed to give up control of [redacted] carrier as part of the restructuring of his faltering empire. The Northwest [redacted] would have [redacted] Mr Trump from a bank loan of $135m [redacted] had personally guaranteed when he borrowed [redacted] to buy [redacted] shuttle.

In July, Northwest [redacted] an interim agreement with Trump's banks, led by Citicorp, to operate the carrier for a fee for about 10 years.

Mr Richard Cozzi, president and chief operating officer at [redacted] Trump Shuttle, said the [redacted] "will have no impact on the operations [redacted] the Trump Shuttle".

Trump Shuttle said other parties [redacted] expressed interest in acquiring or [redacted] shuttle, and that airline officials [redacted] optimistic that [redacted] arrangement [redacted] be reached quickly.

Analysts, however, said similar union [redacted] might make it difficult for [redacted] to step in and [redacted] the shuttle.

Investors await Liffe Italian bond contract

By [redacted] Webb

COMPETITION [redacted] in Italian government bond [redacted] expected [redacted] hot [redacted] with the launch [redacted] futures [redacted] the [redacted] International [redacted] Futures [redacted] (Liffe).

Liffe is due to launch its Italian government bond futures contract on Thursday, just two weeks after the well-received launch of an Italian bond contract on the Paris-based Matif futures exchange.

The Matif [redacted] has traded [redacted] above expectations. [redacted] starting with a daily volume [redacted] 7,098 [redacted], it climbed [redacted] daily [redacted] 12,000 [redacted] the end [redacted] week, and recorded [redacted] high [redacted] Tuesday [redacted] 14,454 [redacted].

By contrast, [redacted] was expected to show [redacted] daily volume of [redacted] 1,000 and 2,000 contracts initially.

"It is always very difficult [redacted] project volumes, but we know [redacted] for a hedging instrument given the very strong cash market," the exchange said.

Demand [redacted] been strong for [redacted] Italian futures [redacted] in order [redacted] help [redacted] tors hedge their positions, although [redacted] has been speculative interest from [redacted] traders. In addition, the launch of the new Matif contract has [redacted] helped by [redacted] heavy volumes in [redacted] underlying [redacted].

Italy [redacted] one of the best-performing government bond markets last week and showed record trading volumes, helped by keen buying [redacted] from foreign investors. Foreigners have [redacted] tempted [redacted] into [redacted] bond market on news [redacted] withholding [redacted] payments will soon [redacted] reimbursed.

NRI TOKYO BOND INDEX

December 1983 = 100	12/09/91	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	161.33	6.49	160.29	155.08	155.51
Government Bonds	159.53	6.30	158.40	152.44	151.41
Municipal Bonds	163.21	6.70	162.11	156.77	155.96
Gov.-guaranteed Bonds	165.61	6.77	164.70	159.78	158.16
Bank Debentures	158.61	6.42	156.96	153.36	150.35
Corporate Bonds	163.09	7.13	162.93	158.70	156.35
Yen-denom. Foreign Bonds	167.74	7.61	167.38	154.65	159.74
Government 10-year†	6.19		6.28	6.74	6.57

† Estimated par yield. Source: Nomura Research Institute

Gulf bank appoints US executive

GULF INTERNATIONAL [redacted] bank [redacted] during the [redacted] crisis, [redacted] banker to [redacted] key [redacted] position, AP-DJ reports from Manama.

Mr Peter Sura, formerly a [redacted] vice-president with Manufacturers Hanover Trust, [redacted] been appointed [redacted] general [redacted] for banking, ranking [redacted] to [redacted] bank's Saudi general manager Mr [redacted] Abdul-Jawad.

The [redacted] replaces Mr Muhamed al-Moammar, who is leaving [redacted] private business interests, GIB [redacted].

[redacted] by [redacted] governments [redacted] Arabia, Bahrain, Kuwait, Qatar, Oman, [redacted] Arab [redacted] Iraq. [redacted] a sudden squeeze [redacted] liquidity during [redacted] seven-month Gulf crisis, [redacted] many [redacted].

Cyprus Airways remains in the red

CYPRUS Airways lost C£900,000 ($1.9m) in [redacted] because [redacted] the Gulf [redacted] and expects [redacted] repercussions [redacted] affect its [redacted] performance, Reuter reports from Nicosia.

Mr Kikis Lazarides, chairman, said the company had [redacted] operating profitably [redacted] the war. The group made a C£1.4m loss in 1989.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Inflation signals cheer investors

GILT yields continued their fall of [redacted] weeks as [redacted] emerged [redacted] *lower inflation* in [redacted] UK.

The gilt market was especially cheered by the announcement of the sharpest reduction [redacted] earnings growth [redacted] the British economy for nine [redacted], a signal [redacted] core inflation is [redacted] down.

Specialists [redacted] gilt market took the [redacted] that, [redacted] the disciplining [redacted] on the [redacted] the exchange rate mechanism, this would not be [redacted] temporary fall, but that Britain would [redacted] locked into low growth in inflation for [redacted] future.

Buoyed by this outlook, investors pushed up prices for [redacted] UK government bonds, with yields declining during [redacted] by about 30 [redacted] points [redacted] cent).

Compared with January 1991, before the recent gradual reduction in [redacted] from 14 per [redacted] *10.5* per cent, yields for five-year gilts have declined particularly sharply, from about 10.7 [redacted] cent to around [redacted] per [redacted].

[redacted] 10-year [redacted] have slipped [redacted] per [redacted] cent, while yields on gilts maturing 20 years from now [redacted] down from 10 per *cent to about* [redacted] *per* [redacted].

The yield curve during this period has evolved from [redacted] sharply inversed to [redacted] current flattened shape. Were it not for the fact that gilt investors have found gilts maturing around [redacted] end [redacted] this century relatively [redacted] – the [redacted] tor responsible for the "hump" in the yield curve – then the slope in the [redacted] would be virtually non-existent beyond the five-year stage.

[redacted] big question [redacted] gilt investors is how long the rally in the market will last. There is [redacted] school [redacted] thought which [redacted] that the yield differential [redacted] UK [redacted] German 10-year bonds, which [redacted] narrowed by about [redacted] points in the past month and [redacted] about 120 basis points, is unlikely to fall much more.

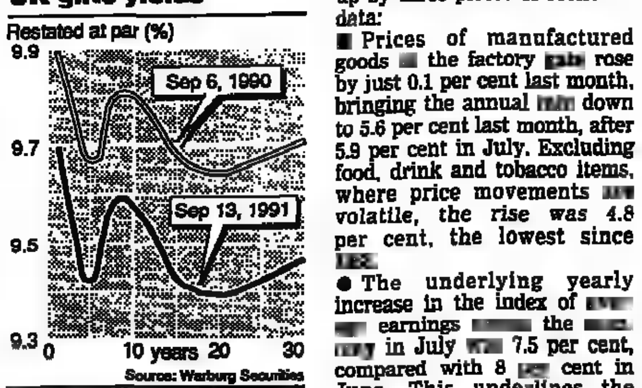
According to this argument, *yields of* [redacted] *government* bonds will [redacted] rise again in [redacted] near future, possibly [redacted] the [redacted] general election, assuming [redacted] place [redacted]. If [redacted] were [redacted] happen, [redacted] would be similar [redacted] pattern of [redacted] in [redacted] gilt [redacted] immediately before and after the [redacted] general election.

There was a further burst of speculation in [redacted] City last [redacted] the Conservative party [redacted] well [redacted]tioned for victory in an early poll. That helped [redacted] general [redacted] upwards in bond prices.

However, it was the [redacted] inflation [redacted] underpinned [redacted] downward movement in yields. According [redacted] Mr John Shepperd, a [redacted] specialist [redacted] S.G. Warburg, Britain [redacted] "fundamental changes in the inflation outlook".

UK gilts yields

Restated at par (%)



Source: Warburg Securities

This [redacted] was backed up by three pieces of economic data:

■ Prices of manufactured goods [redacted] the factory [redacted] rose by just 0.1 per cent last month, bringing the annual [redacted] down to 5.6 per cent last month, after 5.9 per cent in July. Excluding food, drink and tobacco items, where price movements [redacted] volatile, *the rise was 4.8* per cent, the lowest since [redacted].

● The underlying yearly increase in the index of [redacted] earnings [redacted] the [redacted] in July [redacted] 7.5 per cent, compared with 8 [redacted] cent in June. This underlines the downward movement in [redacted] earnings growth which set in near [redacted] beginning of this year.

● The annual rate of rise in UK retail prices [redacted] month [redacted] 4.7 per cent, the [redacted] level [redacted]. However, this [redacted] to the dropping [redacted] *of* [redacted] *year-on-year* calculations of [redacted] petrol price rises, than [redacted] an across-the-board slowdown in prices this [redacted].

Peter Marsh

AUSTRALIAN BONDS

Rally resumes on strength of data

AUSTRALIAN government bonds [redacted] minor rally last [redacted] the secondary [redacted] digested [redacted] surprise [redacted] points [redacted] in [redacted] cash [redacted] at the beginning of [redacted] month.

The benchmark Commonwealth November [redacted] 10-year bond [redacted] week at [redacted] per cent, falling [redacted] points [redacted] previous week, while the five-year bond closed at 10.37, [redacted] four [redacted] points. [redacted] three-year bond, at 10.04, was also down four [redacted] points.

The rally [redacted] aided by [redacted] of figures which indi[redacted] that the economy [redacted] close [redacted] emerging [redacted] recession. The latter caused a contraction of 2.4 per cent in [redacted] domestic product in the [redacted] months [redacted] the end [redacted].

However, analysts are [redacted] about [redacted] the improvement heralds a resumption of the long rally in Australian [redacted] securities, [redacted] the 10-year bond yield fall nearly [redacted] points [redacted] early 1989.

The long rally has been underpinned by a steady improvement in the inflation outlook, [redacted] prices index has fallen [redacted] 7 per [redacted] an [redacted] rate [redacted] per cent – well below [redacted] for Organisation for Economic Co-operation [redacted] Development countries.

In [redacted] phase, which began [redacted] June, the yield [redacted] 10-year [redacted] fell from 11.31 per cent [redacted] June 26 to a low of [redacted] per [redacted] shortly [redacted] budget in early August.

However, the rally appeared to run [redacted] steam [redacted] the budget, and the 10-year yield climbed back [redacted] per cent, reflecting the financial markets' disappointment with the [redacted] performance of Mr John Kerin, the [redacted].

Analysts say Mr Kerin [redacted] probably hoping the 10-year yield would fall below 10.4 per cent, indicating [redacted] significant reduction in inflationary expectations and justifying [redacted] cut in [redacted] cash [redacted] to [redacted] per [redacted].

Mr [redacted] to [redacted] monetary policy in spite of [redacted] rise in yields [redacted] the markets, especially since the Treasury [redacted] bond tender [redacted] day.

In [redacted] event, the [redacted] and September [redacted] were well received, with weighted average yields of 10.06 per [redacted] and 10.32 per cent, but the November [redacted] bond [redacted] sold [redacted] higher [redacted] expected [redacted] yield [redacted] 10.704 per [redacted].

[redacted] tender [redacted] the third since April, when [redacted] government [redacted] by decreasing revenues [redacted] return [redacted] the domestic bond [redacted] after [redacted] two [redacted]. The Treasury is expected to seek [redacted] raise about A$11bn this financial [redacted].

The [redacted] the [redacted] unclear. Mr Todd Richie, senior [redacted] in the [redacted] monwealth Bank's [redacted] markets group, thinks the [redacted] ing in monetary policy [redacted] probably ill-timed. If [redacted] economic growth from mid-1992 onwards, with [redacted] increase in inflationary [redacted] that would rule out [redacted] further significant rally in bond yields, [redacted].

However, Mr Antonio Dottore, [redacted] economist, says [redacted] inflation, political stability and [redacted] lack of exchange-rate risk has prompted strong [redacted] demand for [redacted] paper, especially from Japan. He forecasts a sustained rally, with the 10-year bond falling by as much as 100 basis points.

"There is a lot of demand out there, and in terms of risk, this is a pretty good place to park your money," he says.

Kevin Brown

US MONEY AND CREDIT

Doubts remain despite Fed easing

ON FRIDAY the US Federal Reserve finally did what the markets had been anticipating, [redacted] politicians urging: it further [redacted] monetary conditions with a half point [redacted] in the discount [redacted] and a quarter point reduction in Fed funds.

However, the economic statistics [redacted] surrounding its action [redacted] sufficiently gloomy for [redacted] pessimistic Wall Street analysts to wonder whether it might have to trim rates once more before the cost-of-money cycle turns upwards again. The Fed's [redacted] the discount rate from [redacted] per cent to 5 – the lowest level since 1973. This rate – at which [redacted] – has a largely symbolic importance, sending a signal of [redacted] Fed's intentions [redacted] market.

The [redacted] rate had [redacted] lowered [redacted] part [redacted] any easing package [redacted] it traditionally stands beneath the key [redacted] funds rate, the benchmark [redacted] short-term rates, and, until Friday, Fed funds [redacted] had been at 5.5 per cent.

[redacted] turn triggered a half point cut by the banks in [redacted] prime lending rate, which [redacted] 8 per [redacted] lowest [redacted]. The [redacted] the prime [redacted] have [redacted] knock-on effect on [redacted] wide range of con[redacted] loans.

The [redacted] action "in light [redacted] weak[redacted] aggregates, [redacted] improving inflation environment and [redacted] cerns about [redacted] ongoing strength [redacted] economic expansion".

The question now [redacted] whether *this will be sufficient to kick* life back into consumer confidence, which is showing signs of flagging again. The danger to [redacted] economy is that the burst [redacted] industrial expansion seen over the summer, which was due in some measure to an inventory rebuild, will not be *sustainable without a recovery* in consumer spending.

Friday brought some gloomy figures on this front. Retail sales dropped 0.7 percentage points in August, the largest drop since January, when the nation was glued to its television sets for the Gulf war.

The fall was about twice as large as anticipated. It was concentrated in the automotive and housing related sectors, but also spread into general goods [redacted] clothing.

Vehicle sales figures also [redacted] on Friday [redacted] no sign [redacted] pick-up in [redacted] during the early part of September. Figures for [redacted] days [redacted] month [redacted] 23 *per cent from* [redacted] same period of [redacted] and selling [redacted] a [redacted]nally-adjusted [redacted] 5.4m units [redacted] year, compared with 7.1m.

Perhaps [redacted] *disturbing,* however, has been the [redacted] performance of the money supply, to which the Fed has been playing [redacted] attention in recent months. M2, [redacted] Fed's main monetary target, dropped by [redacted] remarkable $9.7bn in the week ending September 2, leaving it at the bottom of the central [redacted] target range for monetary expansion. However, this may be less worrying than it [redacted]. Many analysts attribute the drop to depositors shifting their funds [redacted] advantage of more favourable [redacted] bonds and mutual funds.

However, although reports of a bank-imposed credit crunch may be over-stated, consumers are worried about losing their jobs and the depression in the housing market, and are in no mood to extend their already substantial indebtedness.

Friday's cuts may turn out to be the bottom of the interest rate cycle, but the Fed may feel the need to trim another quarter point off Fed funds over the coming months.

Its fears of sparking renewed inflation will have been calmed by the latest consumer price index, also released on Friday, which showed a modest 0.2 percentage point rise in August, slightly below the Wall Street consensus.

All this would appear to be good news for the bond market, so its reaction to Friday's news at first sight seemed perverse. Prices dropped and yields [redacted] with the Treasury's benchmark long bond ending the week with a yield of around 7.93, compared with 7.92 on Thursday night.

That, however, appeared to be normal profit-taking, and during [redacted] week the long bond's yield shed 7 [redacted] points. Despite the gloomy figures of the past few days, feeling on Wall Street is cautiously optimistic about the economic outlook for the next 12 months – although the caution is increasing and a vocal minority is extremely bearish.

However, unless [redacted] economy snaps back sharply over the next few months, the Fed may remain biased towards easing, or at least stay neutral in its monetary stance. That, coupled with good news on inflation, might yet bring the long bond down towards 7.78 per cent.

Martin Dickson

US MONEY MARKET RATES (%)

	Last Friday	1 week [redacted]	4 wks ago	[redacted] High	12-month Low
Fed Funds (weekly average)	5.19	5.43	5.38	11.00	2.00
Three-month Treasury bills	5.29	5.44	5.38	7.81	5.29
Six-month Treasury bills	5.41	5.56	5.50	7.75	5.41
Three-month prime CDs	5.50	5.65	5.65	9.01	5.50
30-day Commercial Paper	5.40	[redacted]	5.57	9.95	5.40
90-day Commercial Paper	5.40	5.55	5.56	10.05	5.40

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	104¾	n/a	[redacted]	7.56	[redacted]
20-year Treasury	112⅝	+⅛	[redacted]	7.95	8.05
30-year Treasury	102⅜	+⅜	7.93	8.01	8.08

Money supply: In the week ended September 2, M1 fell by $2.6bn to $867.1bn

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | YEN STRAIGHTS | LUXFR STRAIGHTS | CANADIAN DOLLAR STRAIGHTS | ECU STRAIGHTS | STERLING STRAIGHTS | NEW ZEALAND DOLLAR STRAIGHTS | FRENCH FRANC STRAIGHTS | EQUITY WARRANTS

	Issued	Bid	Offer	Chg on day	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is [redacted] in millions of currency units.
FLOATING RATE NOTES: US dollars unless [redacted]. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex.yld = exercise yield at current warrant price.

Closing prices on September 13

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Agip's $600m deal set to be launched

THE PROPOSED $600m loan to finance the North Sea developments of Agip (UK), part of the Italian state-controlled oil group, has been [illegible]-underwritten and is expected to be launched for syndication next week, despite the earlier reservations expressed by some banks.

Agip, like other Italian state-controlled entities, has faced a degree of resistance from financiers in the wake of the debacle surrounding Federconsorzi, the troubled Italian farm services co-operative.

However, quality names are not turned down quickly during such quiet days in the syndicated loan business, and the Agip deal, first announced a month ago, has been sub-underwritten.

Joining the four arrangers – Bank of America, Royal Bank of Canada, Société Générale and Swiss Bank Corporation – are Banque Nationale de Paris, Bayerische Landesbank, NCNB National Bank, Rabobank, Union Bank of Switzerland and Westdeutsche Landesbank.

The $600m limited recourse loan, to be used to finance Agip's share of the cost of developing the Tiffany and Toni oilfields, will begin at a margin of 37.5 basis points over the London interbank offered rate (Libor), rising to 42.5 after the beginning of 1994, and to 50 from 1997.

The facility is structured in such a way that the loan, due to be repaid by the end of 1999, will at first be backed by a guarantee from Agip International, whose parent is the Italian state-controlled ENI group.

In due course (expected to be two years after signing), the loan will convert to one with recourse only to the project itself. The interest margin will rise to between 62.5 basis points and 100 basis points, depending on the cashflow from the project.

● Chelsea Building Society [illegible] some eyebrows with [illegible] decision [illegible] offer a commitment [illegible] of just 12.5 [illegible] points more than Libor on its proposed 125m five-year revolving cash advance.

The margin on the loan, when drawn, will be 30 basis points, and bankers were quick to point out that it was not enough to offer a commitment fee of less than half the lending margin.

However, the Chelsea hopes to overcome the lenders' lack of enthusiasm with a promise to ensure that at least 60 per cent of the facility is drawn down at all times.

The deal is brought by Schroder Wagg, which pointed out that the terms were roughly in line with similar recent building society transactions.

● Philip Morris responded to leaks in the market last week to confirm that it was talking to its banks about refinancing credit facilities amounting to $12bn. At the same time, it wants to raise a further $8bn.

However, several bankers discounted the suggestion that a deal was imminent. Talk about the financing first circulated two months ago, and the company has until March to carry it off. After that date, it would have to reclassify the existing $12bn [illegible] a short-term liability, [illegible] long-term one.

As expected, though, news of the company's plans caused a jittery moment or [illegible] for [illegible] companies which, like Cadbury Schweppes, are often talked of [illegible] possible Philip Morris takeover targets, and helped to [illegible] prices of some brand-rich companies marginally higher.

Richard Waters

EUROMARKET TURNOVER ($m)

[illegible]

Week to September 12, 1991 Source: AIBD

INTERNATIONAL BONDS

Banks focus on matching Basle capital requirements

A RECENT spate of capital-raising issues by international banks [illegible] mark the start of the final phase of efforts to meet the terms of the Basle accord on bank capital adequacy, which come into full effect from January 1993.

National Westminster Bank was the most active institution last week, raising £140m and $200m of core capital through the issues of perpetual preference shares in the UK and US markets. While bankers are not predicting anything like a flood of preference share issues, the deals underline that sentiment is improving on both sides of the Atlantic.

News that Crédit Lyonnais has reopened the variable rate note market with a $200m issue will hearten other banks hungry for non-core, subordinated capital. The VRN market has been closed to new issues this year following a collapse in secondary market liquidity.

Elsewhere, in the run-up to the Japanese bank's half-year [illegible] at the end of this month, [illegible] have been more subordinated [illegible] week Mitsubishi raised $175m of non-core capital, while Bank of Tokyo earlier raised $200m.

The Basle accord sets a [illegible] capital-to-assets ratio of 8 per cent. [illegible] banks will have to meet this by the end of next year. Of the [illegible] [illegible] capital requirement, [illegible] Tier I capital, comprising common equity [illegible] perpetual preference [illegible]. The [illegible] be non-core or Tier II capital, comprising subordinated debt instruments, reserves and general provisions.

Banks in different countries face specific problems in meeting the Basle targets. For example, Japanese banks can count 45 per cent of unrealised gains on holdings of securities as Tier II capital. As the Tokyo stock market has fallen, the banks' capital ratios have deteriorated, forcing them to curtail new lending and raise Tier II capital from elsewhere – mainly by issuing subordinated debt.

No-one is expecting a repeat of the unregulated flood of subordinated debt issues by Japanese banks which hit the international bond market last autumn. The Japanese finance ministry is keen to maintain an orderly flow of deals.

However, further weakness of the Tokyo stock market next year could leave the banks with few alternatives. At the end of last September, two of the 22 largest Japanese financial institutions had Tier II capital ratios sufficient to meet the final Basle targets. This year's interim results will be watched closely.

In the US, the big banking mergers [illegible] summer [illegible] Chemical and [illegible] Hanover, and Security [illegible] BankAmerica, were driven by the need for greater efficiency.

However, underlining the drive for efficiency are concerns about capital; improved profitability is essential if [illegible] are to attract capital in the long [illegible]. Improved margins allow income to be retained and capital generated without recourse to the markets. Cut dividends are a sign of the urgent need to retain income.

Even so, capital-raising debt issues have proceeded all year, with $2.5bn common stock, $2bn preference shares and $3.5bn subordinated debt issued by US banks this year. This does not [illegible] capital [illegible] by [illegible] corp from [illegible] placements with [illegible] Bin Talal, a Saudi prince, [illegible] of [illegible] institutions.

Europe [illegible] many [illegible] world's best capitalised, [illegible] profitable banks. But there are still plenty of European [illegible] launch what bankers describe as "opportunistic" capital issues. Even banks which meet the Basle ratios now may not do so by January 1993 if they [illegible] to expand lending.

Hence [illegible] such [illegible] National Westminster, which has a Tier I capital ratio of more than 5 per cent, comfortably within the Basle target, [illegible] preference share issues. Banco Santander, which has a Tier I ratio of close to 6 per cent, has also raised preference capital in the US this month.

[illegible] the amount of fresh capital which has to be raised from all [illegible] the next year depends, [illegible] other things, on the rate [illegible] which banks expand lending. Every $100m in new corporate loans requires $8m more capital.

[illegible] arguable that the recession in the US and [illegible] European economies has deferred [illegible] question for the time being. Despite fears of a credit crunch, demand for loans from banks [illegible] relatively low. The slowdown in bank lending has been dramatic.

● The [illegible] five [illegible] city [illegible] showed negative [illegible] growth of nearly [illegible] per [illegible] in the year to March, having shown growth of [illegible] 16 and 20 [illegible] for [illegible] of [illegible] previous four years.

● The [illegible] eight US banks have shown [illegible] loan growth [illegible] or below [illegible] every [illegible] 1986.

● The big four UK clearing banks showed average loan growth of just 1.25 per cent last year, against 16.3 per cent in 1989 and 20 per cent in 1989.

None of these figures, supplied by IBCA, the credit rating agency, are adjusted for inflation.

How much of the slowdown in lending is attributable to recession and how much is attributable to banks unwillingness to lend remains unanswered.

The real test could come as the UK and other economies pull out of recession. Will the banks be sufficiently capitalised to fund economic recovery and still stay within the Basle targets? Will new sources of capital be available [illegible] them?

The [illegible] both questions is probably "yes, but at a price".

Throughout the worst [illegible] of a credit crunch, the Basle group of [illegible] central bank regulators remained [illegible] mant that their original capital [illegible] targets [illegible] relaxed. The original ratios have not [illegible] changed, and new instruments designed by financial engineers have been ruled unacceptable. Ready sources of capital which satisfy both the regulators and investors are few.

Most banks are now perceived as less profitable and of lower credit quality than a few years ago. As a result, the cost of capital has risen. If banks wish to maintain profitability, which is in turn essential to attract more capital, this increased cost will be passed through to borrowers.

Simon London

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	[illegible] years	Coupon %	Price	Book runner	[illegible] yield %
US DOLLARS							
Export Development Corp†	200	1994	[illegible]	7	101 [illegible]	CSFB	[illegible]
MBL Finance(c)†	100	2006	[illegible]	8⅝	[illegible]	[illegible] Fin.Intl.	[illegible]
MBL Finance(d)†	75	2001	10	8⅛	100	Mitsubishi Fin.Intl.	[illegible]
Fuji Oil Co.(h)‡†	100	1995	4	4⅝	100	Nomura Int.	[illegible]
Sandoz Overseas Fin.(j)‡†	500	1998	7	4	100	[illegible] Phillips & [illegible]	[illegible]
EIB†	300	1996	[illegible]	7½	99.734	S.G. [illegible]	7.566
Rep.of Argentina(k)†	300	1993	2	11	[illegible]	J.P. [illegible]	[illegible]
Toho Zinc Co.‡	[illegible]	1995	[illegible]	5	100	[illegible] Secs.(Europe)	[illegible]
Arabian Oil(m)‡†	200	1995	[illegible]	4⅝	100	[illegible] Secs.(Europe)	[illegible]
Pemex†	[illegible]	1998	7	10¼	[illegible]	[illegible]	[illegible]
Ishihara Sangyo‡	[illegible]	1995	[illegible]	4⅝	100	[illegible] Int.	4.625
STERLING							
T.M.C.(e)‡†	300	[illegible]	9¾	(e)	100	S.[illegible] Bros.Intl.	-
Woolwich Building Soc.†	75	2001	[illegible]	11⅝	[illegible]	[illegible] Bros.	11.276
ECUs							
Council of Europe†	500	2001	10	[illegible]	[illegible]	Goldman Sachs Int.	[illegible]
[illegible] DOLLARS							
Postipankki(l)‡†	100	1994	[illegible]	(l)	100	Citibank AG	-
[illegible]	100	1996	[illegible]	10⅜	101.725	ScotiaMcleod Inc.	[illegible]
Ontario Hydro(p)†	[illegible]	2021	10	10⅛	99.08	Goldman [illegible] Int.	10.538
AUSTRALIAN DOLLARS							
State Bk.of S.Australia†	[illegible]	1995	5	11	[illegible]	Hambros Bk.	10.705
YEN							
Sapporo Breweries†	10bn	1997	5¾	7	101.45	Yamaichi Int.(Eur)	[illegible]
Sony Corp†	50bn	2000	[illegible]	6¼	101⅜	Nomura Int.	6.646
Asahi [illegible]	[illegible]	1999	7	7¼	101.50	Nomura Int.	6.724

Borrowers	Amount m.	Maturity	Av. life [illegible]	Coupon %	Price	Book [illegible]	[illegible] yield %
FRENCH [illegible]							
[illegible]	3bn	2001	[illegible]	9¼	[illegible]	CCF	9.329
[illegible]							
[illegible] Packers(b)‡†	60	1995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Bk.Finance(f)†	500(f)	1998	5	[illegible]	102¼	Deutsche Bk.	8.418
[illegible]	200	1994	[illegible]	9¼	101.20	[illegible] Bk.	[illegible]
JFM†	100	2001	10	8½	[illegible]	[illegible] Bk.	[illegible]
LIRE							
Fin.for [illegible] Inds.†	150bn	1998	5	12.3	101.6	IMI [illegible]	[illegible]
EIB(n)†	400bn	2001	9½	11.10	101.50	[illegible] di [illegible]	[illegible]
SWISS [illegible]							
[illegible] Kogyo(a)★★‡†	70	1995	-	5¼	100	Nomura	[illegible]
[illegible] Kogyo(g)★★‡†	35	[illegible]	-	5¼	100	[illegible]	[illegible]
[illegible] Sheet(i)★★‡†	100	[illegible]	-	6	[illegible]	[illegible]	[illegible]
[illegible]	150	2001	-	[illegible]	101¼	UBS	[illegible]
SWEDISH KRONOR							
[illegible]	400	1998	7	10¾	[illegible]	[illegible]	[illegible]
[illegible] Int. Finance(q)†	300	1998	5	10½	100⅞	[illegible]	10.268
[illegible]							
Commerzbank(o)†	2bn	1999	[illegible]	[illegible]	[illegible]	BGL	[illegible]

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. ●Variable rate notes. †Final terms. a) Exercise premium fixed at 2.50%. Non-callable. b) Each 5,000 DM bond [illegible]. Exercise premium fixed at 2.50%. Non-callable. c) Callable on or after 27/9/2001 at par. d) Callable on or after 27/9/96 at par. e) Coupon pays 45bp over 3-month Libor until 1/11/91 then pays 75bp over. Callable from September 1996 at par. Credit enhancement by way of insured class [illegible] notes. f) Amount increased from DM300m. Original issue launched 14/8/91. Non-callable. g) Callable on 2/10/[illegible] at 101½ [illegible] declining by ½% semi-annually. Exercise premium fixed at 2.62%. h) Exercise premium fixed at 2.60%. i) Exercise premium fixed at 2.50%. j) Issue consists of two tranches of warrants offering exercise into Sandoz bearer shares or bearer participation certificates at a SF10 premium to yesterday's opening price. k) Coupon payable semi-annually. Put option 7/10/92 at [illegible]. l) Coupon pays 28.045% minus (2x3-month CS BA's) payable quarterly in arrears. Minimum coupon is zero. Non-callable. m) Issue [illegible] tranches in Europe and Asia. Exercise premium fixed at 2.57%. n) Fungible with existing Lire600bn deal. Non-callable. o) Amount [illegible] FLux1bn. Issued [illegible] fiduciary basis to fund a subordinated loan made by Commerzbank Intl. to Commerzbank AG. Non-callable. p) Coupon payable semi-annually. Non-callable. q) Keepwell agreement with ASEA Brown Boveri. Non-callable.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4:00 pm prices September 13

MONTREAL

4:00 pm prices September 13

INDICES

NEW YORK

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

Prices supplied by Telekurs.

[illegible] All indices [illegible] except NYSE All Common – 50; Stand[illegible] Poor's – 10; and T[illegible]posite and [illegible] 1000. Toronto indices based 1975 and [illegible] Portfolio 4/1/83. † E[illegible]g bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavail[illegible]

*Saturday September 7: Taiwan Weighted Price [illegible]
§ Subject to official recalculation.
Base values of all indices are 100 except: [illegible] HEX General, [illegible] JSE 26 Industrials – 264.3 and Australia [illegible] Ordinary and Metals [illegible]

TOKYO - Most Active Stocks

Friday 13 September 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Seika	26.6	1,160	+100	[illegible]	14.3	732	+[illegible]
NKK	21.0	417	+5	Nippon Steel	12.7	[illegible]	+4
Hitachi	19.0	[illegible]	+16	Sumitomo Metal	12.4	451	+[illegible]
Osaka Gas	18.0	[illegible]	+36	Marubeni	12.1	[illegible]	+40
Mitsubishi Heavy	16.7	740	+16	Cosmo Oil	11.2	661	+[illegible]

هكذا من الأصل

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■ Current Unit Trust [illegible] on FT Cityline, call 0838 430000. Calls charged at 36p/minute cheap rate and 48p/minute at [illegible] your free Unit Trust [illegible] Booklet call [illegible]

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called [illegible] price. The price at which units are sold [illegible] investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter [illegible] that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General (Unit Pensions) Ltd

Manulife Group – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

هكذا من الأصل

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MANAGEMENT SERVICES

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BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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Baring International Fd Mngrs (Ireland) Ltd

Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Asset Global Funds Ltd (1200)

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mgrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

CMI Fund Mngmt (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgrs Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Brown Shipley Fund Mgt (CI) Ltd

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1480)F

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Holborn Fund Management (Jersey) Ltd

INVESCO MIM International Limited

Management International (Jersey) Ltd

Morgan Grenfell Funds Mgmt (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

Worldinvest (Management) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (u)

Abtrust Fund Mngrs Luxembourg SA (u)

Barclays Intl Funds (Luxembourg) (1400)

CMI Asset Management (Luxembourg) SA (u)

Commercial Union Luxembourg SA (u)

EquiFund-Wright National Eqty Fd (u)

Fidelity Funds (u)

Fleming Group (u)

Gartmore Indosuez Funds

Garmore Fund Managers Luxembourg SA (u)

Henderson Management SA (u)

Hill Samuel Inv Services Intl SA (u)

Foreign & Colonial Port Fd Sicav(u)

INVESCO MIM International Limited (u)

Kleinwort Benson Fund (u)

Latin American Management Co Ltd (u)

Liberty ALL-STAR World Pfolio-Eqty Fd(u)

Lloyds Luxembourg

Midland Internatnl Circuit Fund SICAV(u)

Morgan Grenfell UT Mgrs/Deutsche Bk (u)

Nomura Global Fund (u)

Norwich Union Intl Portfolio (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy SICAV

Touche Remnant (Guernsey) Ltd (u)

Tyndall Global Fund SICAV

S.G. Warburg Asset Mngmt Lux SA (u)

Wardley Investment Services (Lux) SA (u)

Wardley Investment Services—Contd.

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Banque Paribas Luxembourg

CS Fund International (u)

Capel-Cure Myers Intl Fd Sicav (u)

Credit Suisse

Fidelity Intl Inv Mngt (Luxembourg)

Fleming Group

Kleinwort Benson Jupiter Warrant Fund

Lloyds Bank Luxembourg

Mediterranean Fund (SICAV) (u)

Merrill Lynch Asset Management

Target International Ltd

Templeton Worldwide Investments

Top Brand Fund Intl-SICAV (u)

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frontrunner I (u)

Unico Financial Services SA Lux

Banque Ferrier Lullin (Lux) SA

"WINTERTHUR" Fund Mngt Co (Lux) SA

World Bond Fund-SICAV (u)

World Capital Gwth Fd-SICAV (u)

World Trust Fund

Yamaichi Advanced Technology, Fd

Yamaichi Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Asia Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Daiwa Japan Gem Fund

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Dresdenbank Asset Management SA (u)

Espirito Santo International Mngmt (SICAV)

Fidelity Intl Inv Mngt (Luxembourg)

Fidelity International (CI) Ltd

Fleming Group

The Brazilian Inv Fund

Gartmore Fund Managers

GT Management Plc—Contd.

Gartmore Investment Ltd

Global Asset Management

Jardine Fleming Unit Trusts Ltd

Lloyds Bank Geneva Switzerland

London Portfolio Services plc

Merrill Lynch Global Fd Mngrs (Guernsey) Ltd

Mitsubishi Finance International Ltd

Morgan Stanley Japanese Warrant Fund NV

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Optima Fund Management

Orbis Investment Management Ltd

Pacific Growth Fund

Pakistan Fund

Perpetual Investment Fund Ltd

Putnam International Advisors Ltd

Quantum Fund NV Curacao

Quilter International Management Ltd

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Royal Trust North American Bond Fd

Schroder Investment Management

Stevens & Clark Inc

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Intl Fund Ltd

T. Rowe Price Associates, Inc

Tyndall International (Bermuda) Ltd

Wellington Fd Mngrs (Bermuda) Ltd

Wells Fargo U.S. TT Fund

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Problem of PPP

The dollar looks set on a downward course at present, although where it is moving in the longer term is much more difficult to decide.

Merrill Lynch claimed recently that trends in long-term interest rates, economic growth and inflation differentials suggest that the dollar could rise above DM2.00 in the next year, but said that the trend will probably be restrained by other factors and the likely level in 12 months is DM1.80. Merrill Lynch also stated that the dollar is undervalued by 7.65 per cent in terms of Purchasing Power Parity, but admitted that there have been times when it has been under or over valued by 20 per cent or more.

In the latest publication of Capital Insight from Nomura Research the methods of forecasting currency movement using Purchasing Power Parity are explored. The principles of PPP gauge what a currency should be worth in relation to a country's rate of inflation.

According to this theory over the next 12 months the dollar will rise to [illegible] against the D-Mark and sterling will fall to $1.57, giving an implied value for the pound of DM3.75. This of course [illegible] into account other factors, such as the linkage of the D-Mark and the pound in the European exchange rate mechanism. Nomura points out that the whole point of the ERM is to insure that [illegible] taken to enable currencies to avoid the implications of PPP.

Nomura [illegible] that rather than rise the dollar is likely to fall to DM1.60 and that sterling will rise to $1.83, putting the pound's D-Mark value at a more acceptable DM2.9280. The conclusions of this [illegible] are that PPP cannot be used unless currencies are free floating and even then no forecasts can be [illegible] with [illegible] for periods shorter than five years.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

POUND SPOT - FORWARD AGAINST THE POUND

Sep 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7295 - 1.7335	1.7315 - 1.7325	0.68-0.66cpm	4.64	1.93-1.90pm	4.42
Canada	1.9640 - 1.9725	1.9690 - 1.9700	0.35-0.26cpm	1.86	0.86-0.76pm	1.65
Netherlands	3.2825 - 3.3025	3.2825 - 3.2925	⅜-¼cpm	1.14	⅝-½pm	0.68
Belgium	59.85 - 60.45	60.15 - 60.25	10-2cpm	1.20	21-6pm	0.90
Denmark	11.2225 - 11.3225	11.2575 - 11.2675	⅞-⅛orepm	0.60	1⅝-1⅛pm	0.47
Ireland	1.0915 - 1.0950	1.0925 - 1.0935	0.05cpm-par	0.27	0.13-0.03pm	0.29
Germany	2.9150 - 2.9275	2.9150 - 2.9200	⅜-¼pfpm	1.29	⅝-½pm	0.77
Portugal	249.20 - 251.70	250.10 - 251.10	38-109cdis	-3.52	199-272dis	-3.76
Spain	182.65 - 183.90	182.75 - 183.05	27-38cdis	-2.13	90-102dis	-2.10
Italy	2180.00 - 2196.00	2182.75 - 2183.75	2-3liredis	-1.37	7-9dis	-1.47
Norway	11.3875 - 11.4800	11.4300 - 11.4400	⅛-⅛orepm	0.26	¼-1⅛dis	-0.24
France	9.9250 - 9.9625	9.9275 - 9.9375	1-⅜cpm	1.06	1⅝-1⅛pm	0.63
Sweden	10.5700 - 10.6725	10.6000 - 10.6100	⅛-⅛oredis	-0.21	¼-1⅛dis	-0.26
Japan	231.50 - 233.25	231.50 - 232.50	¾-½ypm	3.23	2-1⅞pm	3.34
Austria	20.47 - 20.60	20.47 - 20.50	2¼-1grpm	0.95	4⅛-1⅛pm	0.52
Switzerland	2.5525 - 2.5650	2.5525 - 2.5625	½-⅜cpm	2.05	1⅜-1⅛pm	1.86
Ecu	1.4220 - 1.4300	1.4220 - 1.4230	0.08-0.02cpm	0.42	0.13-0.02pm	0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.54-3.49cpm. 12 Month 6.51-6.43cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7295 - 1.7335	1.7315 - 1.7325	0.68-0.66cpm	4.64	1.93-1.90pm	4.42
Ireland†	1.5755 - 1.5895	1.5875 - 1.5885	0.51-0.46cpm	3.66	1.53-1.43pm	3.73
Canada	1.1350 - 1.1375	1.1355 - 1.1365	0.25-0.28cdis	-2.80	0.78-0.83dis	-2.83
Netherlands	1.8900 - 1.9125	1.8980 - 1.8990	0.56-0.60cdis	-3.67	1.77-1.84dis	-3.80
Belgium	34.70 - 34.90	34.70 - 34.80	9.00-11.00cdis	-3.45	29.00-34.00dis	-3.63
Denmark	6.5000 - 6.5325	6.5000 - 6.5050	2.10-2.40oredis	-4.15	6.55-7.15dis	-4.21
Germany	1.6775 - 1.7000	1.6835 - 1.6845	0.51-0.52pfdis	-3.67	1.56-1.58dis	-3.73
Portugal	144.80 - 145.50	144.90 - 145.00	90-100cdis	-7.86	290-310dis	-8.28
Spain	105.30 - 106.75	105.50 - 105.60	57-63cdis	-6.82	173-181dis	-6.71
Italy	1256.00 - 1269.25	1260.25 - 1260.75	5.50-6.30liredis	-5.62	17.80-18.80dis	-5.81
Norway	6.5950 - 6.6250	6.6000 - 6.6050	2.38-2.68oredis	-4.60	7.55-8.05dis	-4.73
France	[illegible]75 - 5.7775	5.7325 - 5.7375	1.75-1.80cdis	-3.71	5.48-5.58dis	-3.86
Sweden	[illegible]00 - 6.1625	6.1200 - 6.1250	2.30-2.55oredis	-4.75	7.05-7.50dis	-4.75
Japan	133.50 - 134.50	133.85 - 133.95	0.15-0.16ydis	-1.39	0.35-0.37dis	-1.08
Austria	11.8800 - [illegible]	11.8900 - 11.8950	2.50-5.00grodis	-3.78	9.00-14.00dis	-3.87
Switzerland	1.4710 - [illegible]	1.4755 - 1.4765	0.32-0.34cdis	-2.68	0.94-0.97dis	-2.59
Ecu	[illegible] - 1.2195	1.2155 - 1.2165	0.44-0.42cpm	4.19	1.31-1.25pm	4.21

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

[illegible]	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.287	[illegible]	[illegible]	60.20	[illegible]
$	[illegible]	1	1.684	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.137	34.76	[illegible]
DM	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	1.127	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.02	14.17	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	1.744	2.937	233.6	10.	[illegible]	3.310	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	1.141	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.304	[illegible]	0.887	70.58	[illegible]	[illegible]	1	[illegible]	0.599	[illegible]	0.651
Lira	0.458	[illegible]	1.336	106.3	4.550	1.171	1.506	1000.	0.902	[illegible]	[illegible]
C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	30.57	[illegible]
B Fr.	[illegible]	2.877	[illegible]	[illegible]	[illegible]	[illegible]	4.248	[illegible]	3626	[illegible]	100.
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.385	[illegible]	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL TIMES STOCK INDICES

	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 6	1991 High	1991 Low	Since Compilation High	Since Compilation Low
[illegible] Secs.	87.48	87.16	87.01	87.06	86.94	86.82	87.48	82.17	127.4	49.18
Fixed Interest	96.07	95.91	95.86	95.89	95.46	95.34	96.07	90.59	105.4	50.53
Ordinary	2067.8	2085.0	2068.1	2071.9	2088.6	2093.6	2108.3	1608.3	2108.3	[illegible]
Gold [illegible]	154.4	158.4	160.2	162.8	161.5	162.0	222.8	127.0	734.7	[illegible]
FT Act [illegible]	1269.19	1274.61	1267.80	1269.64	1278.85	1284.07	1284.07	987.46	1284.07	[illegible]
[illegible]	2625.6	2641.9	2626.6	2630.8	2653.2	2667.4	2679.6	2054.8	2679.6	986.9
[illegible] Eurotrack 100	1116.74	1117.77	1111.14	1112.84	1116.88	1124.68	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack [illegible]	1183.12	1182.93	1178.65	1181.61	1188.60	1195.17	1198.60	938.82	1198.60	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,550	Exch. 11pc 1991	100¼	0.1	19.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	99½	0.1	7.5	10Jun 10Dec	1335
775	Treas 12¾pc 1992‡‡	100⅞		17.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	100¼		[illegible]	21Aug 21Feb	1283
650	Treas. 2pc IL 1992‡‡	132½xd	0.2	19.8	23Mar 23Sep	1312

Five to Fifteen Years

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,809	Conversion 10pc 1996	101½	0.7	[illegible]	15May 15Nov	1240
1,200	Do. 10pc 1996 B	101⅝	[illegible]	—	15May 15Nov	—
1,290	Treas 13¼pc 1997‡‡	114⅞	0.6	17.6	22Jul 22Jan	1302
3,300	Exch 10½pc 1997	103⅝	0.7	15.7	21Aug 21Feb	1253
3,600	Treas 8¾pc 1997‡‡	96⅛	[illegible]	26.7	1Mar 1Sep	1341
830	Exch 15pc 1997	122⅝	[illegible]	[illegible]	27Apr 27Oct	1269
3,050	Exch. 9¾pc 1998	100⅝	[illegible]	[illegible]	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	88⅛	1.0	[illegible]	1Nov 1May	1331
935	Treas. 15½pc '98‡‡	128⅞xd	0.8	[illegible]	30Mar 30Sep	1308
3,658	Exch. 12pc 1998	111⅝	0.9	15.4	20May 20Nov	1259
1,450	Treas 9½pc 1999‡‡	100⅞	[illegible]	[illegible]	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	113⅞xd	[illegible]	[illegible]	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	104⅝	[illegible]	[illegible]	19Nov 19May	1288
1,548	Conversion 10¼pc 1999	103⅛	1.0	15.4	22May 22Nov	1242
2,759	Conversion 9pc 2000‡‡	97⅛	1.1	[illegible]	3Sep 3Mar	1244
3,171	Treas. 13pc 2000	118⅞	1.1	7.6	14Jan 14Jul	1299
3,906	Treas 10pc 2001	102⅝	[illegible]	[illegible]	26Aug 26Feb	1280
970	Treas. 14pc '98-01	119⅝	0.7	15.4	22Nov 22May	1306
3,075	Treas 9¾pc 2002	101⅞	1.3	[illegible]	27Feb 27Aug	1349

BRITISH FUNDS – Contd

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
1,703	Treas 10pc 2003	103⅛	1.4	2.8	8 Mar 8 Sep	1281
1,620	Treas. 11½pc 2001-04	110⅛xd	1.1	13.8	19Sep 19Mar	1290
443	Funding 3½pc '99-04	61⅞	1.8	7.6	14Jan 14Jul	1274
1,512	Conversion 9½pc 2004	99⅞	1.5	19.3	25 Apr 25 Oct	1246
3,192	Conversion 9½pc 2005	99⅞xd	1.6	11.9	18 Oct 18 Apr	1247
2,200	Treas. 12½pc 2003-05	120⅛	1.4	15.4	21May 21Nov	1295

Index-Linked

(b)

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
500	Treas. 2pc '94..(102.9)	128⅝	0.4	9.4	[illegible]	5070
1,000	Do. 2pc '96....(67.9)	174½	0.7	12.8	[illegible]	1313
1,000	Do 2½pc '01....(78.3)	143⅞xd	0.3	19.8	[illegible]	1316
800	Do. 2½pc '03....(78.8)	140⅞	0.3	15.4	[illegible]	1317
1,200	Do. 2pc '06....(69.5)	141⅛	0.3	12.6	19Jan 19Jul	1314
950	Do. 2½pc '09....(78.8)	138⅝	0.3	15.4	20Nov 20May	1318
1,450	Do. 2½pc '11....(74.6)	134⅞	0.4	17.7	[illegible] 23Aug	1319
1,300	Do. 2½pc '13....(89.2)	110⅞	0.4	[illegible]	16Feb 16Aug	1320
1,700	Do. 2½pc '16....(81.6)	117⅛	0.4	19.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20....(83.0)	113⅛xd	0.4	[illegible]	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡....(97.7)	94	0.5	10.6	17Jan 17Jul	1323

(b) Figures in parentheses show RPI [illegible] for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1991: 130.2 and for August 1991: 134.1.

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Wk % change	Last xd	Interest Due	City-line
50	African Dev Bk 11¼ Ln 2010	106⅞	1.7	1.12	4 Jan 4 Jul	—
100	Asian Dev Bk 10⅛pcLn2009	101⅞	1.8	28.3	[illegible]	—
75	Int-Am. Dev Bk 12½pc 2003	115⅞	1.5	7.12	[illegible]	—
175	Do. 9¾pcLn 2015	[illegible]	2.1	13.10	15 May 15 Nov	—
500	Ld. Mexico States 16½pc 2008	124⅝	0.8	28.1	1Mar 1Sep	—

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

50 Do 4.25pcIL '24 ..... 107¼ 0.7 19.2 23Feb 23Aug —

Public Board and Ind.

25 Met. Wtr. 3pc 'B' ..... 53 ..... [illegible] 1Mar 1Sep 3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Week % change	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	50		7.00	1.11	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	50		6.00	1.2	1Feb 1Aug	2762
—	Do 4pc Mixed Ass.	50		4.00	3.4	1Apr 1Oct	2761
1	Hung. '24 Ass.	55		3.57	3.5	1May	2935
40	Hydro Quebec 15pc 2011	132⅝	1.6	10.90	27.10	31May 30Nov	—

Continued on next page

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	City-line
CAF Money Management Co Ltd [illegible] TN9 2JD 0732 770114				
[illegible]	10.39	—	10.80	—
Deposits Over £1 million	10.49	—	10.90	—
Deposits Over £2 million	10.59	—	11.01	—
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	10.35	—	10.76	—
Cent. Bd. of Fin. of [illegible] of England‡‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	10.40	—	10.81	40253
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1R 1NX 071-236 1425; TESSA Desk 071 236 9362				
Call Fnd	10.25	7.68	10.51	—
7-day Fund	10.31	7.73	10.57	—
Special Fund	10.02	—	10.49	—
Dollar	4.24	3.18	4.31	—
TESSA Prime	9.76	—	10.12	—
TESSA Plus	9.57	—	9.92	—
TESSA Saver	9.33	—	9.66	—

Money Market Bank Accounts

	Gross	Net	Gross CAR	City-line
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	8.50	6.38	8.77	—
£10,000+	9.25	6.94	9.57	—
Aitken Hume Bank plc 30 City Road, EC1Y 2AY 071-[illegible]				
Treasury Acc	9.00	6.75	9.31	—
[illegible]	9.00	6.75	9.38	—
[illegible]	9.50	7.125	[illegible]	—
[illegible] £50,000+	10.00	7.50	[illegible]	—
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 071-626 0879				
TDMNA (£2,001+)	10.90	8.18	[illegible]	—
DMNA (£2,001+)	10.50	7.88	11.02	—
HICA (£2,001+)	9.00	6.75	9.38	—
Premier TESSA	12.50	9.38	13.24	—
American Express Bank Ltd Sussex House, Burgess Hill, West Sussex, RH15 9AW 0444 230230				
High Performance Cheque Account: Cardmembers				
£500-£999	4.00	3.00	[illegible]	—
£1,000-£4,999	9.00	6.75	[illegible]	—
£5,000-£9,999	9.20	6.90	[illegible]	—
£10,000-£24,999	9.60	7.20	[illegible]	—
£25,000-£49,999	9.80	7.35	[illegible]	—
£50,000-£99,999	10.00	7.50	[illegible]	—
£100,000+	10.20	7.65	[illegible]	—
Non-Cardmembers				
£500-£999	3.75	2.81	3.82	—
£1,000-£4,999	8.75	6.56	9.11	—
£5,000-£9,999	8.95	6.71	9.33	—
£10,000-£24,999	9.35	7.01	[illegible]	—
£25,000-£49,999	9.55	7.16	[illegible]	—
£50,000-£99,999	9.75	7.31	[illegible]	—
£100,000+	9.95	7.46	[illegible]	—
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL 0753 5165[illegible]				
£2,000-£9,999	8.50	6.375	8.775	—
£10,000+	8.75	6.563	[illegible]	—
Bank of Scotland [illegible] EC2P 2EH 071-601 6446				
[illegible]	8.65	[illegible]	9.00	—
[illegible]	9.11	[illegible]	[illegible]	—

	Gross	Net	Gross CAR	City-line
Co-operative Bank PO Box 300, Skelmersdale, Lancs 0800 616162				
TESSA	11.50	—	—	—
Investment 90 – 90 Day Notice Savings				
£50,000+	10.75	8.10	11.0	—
£25,000-£49,999	10.50	7.90	10.8	—
£10,000-£24,999	9.50	7.10	9.7	—
£5,000-£9,999	8.25	6.20	8.4	—
Pathfinder – Card Based Current Account				
All Balances	10.00	7.50	10.50	—
Top Tier – Instant Access Savings				
£50,000+	9.50	7.10	9.7	—
£10,000-£49,999	9.00	6.75	9.2	—
£5,000-£9,999	7.75	5.80	7.90	—
£1,000-£4,999	7.25	5.40	7.40	—
£1-£999	3.50	2.60	3.50	—
Ultra Interest Bearing Current Account				
£20,000+	6.50	4.90	6.70	—
£5,000-£19,999	5.50	4.10	5.60	—
£500-£4,999	3.00	2.25	3.00	—
£1-£499	2.00	1.50	2.00	—
Coutts & Co Reserve Account, 440 Strand, London WC2R 0QS 071-753 1000				
For personal customers				
£50,000+	9.125	6.84	9.44	—
£20,000-£49,999	8.625	6.47	8.91	—
£5,000-£19,999	8.125	6.09	8.38	—
For businesses, charities and societies				
£100,000-£1,000,000	8.50	6.40	8.78	—
£25,000-£99,999	8.25	6.19	8.51	—
£10,000-£24,999	7.625	5.72	7.85	—
Coutts Composite Account for clients money, 27 Bush Lane, London EC4R 0AA 071-623 3434				
Rates negotiable up to	10.125	—	—	—
Darlington & Co Ltd Investment HICA 70 Prince St, Bristol BS1 4QD 0272 213206				
£50,000-£1m	9.50	7.13	9.84	—
£25,000-£49,999	9.25	6.94	9.58	—
£5,000-£24,999	9.00	6.75	9.31	—
Financial & General Bank plc 13 Lowndes Street, London, SW1X 9EX 071-235 0034				
H.I.D.A. £50,000	10.85	8.137	11.12	—
H.I.D.A. £10,000-£50,000	10.50	7.875	10.77	—
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1 1NX 071-236 1425				
Money Mngt. Acct.	8.88	6.66	9.18	—
Girobank plc High Interest Cheque Acc 10 Milk St, London EC2V [illegible] 071-600 6020				
£1,000-£3,999	[illegible]	[illegible]	7.50	—
£4,000-£9,999	[illegible]	[illegible]	8.25	—
£10,000-£49,999	8.75	[illegible]	[illegible]	—
£50,000	9.25	[illegible]	[illegible]	—
Halifax Bldg Soc Asset Reserve Cheque Acc [illegible]				
[illegible]	[illegible]	7.05	[illegible]	—
[illegible]	[illegible]	7.65	[illegible]	—
£25,000-£49,999	10.60	[illegible]	[illegible]	—
£50,000 and above	11.25	[illegible]	[illegible]	—
Humberclyde Finance [illegible] Chalky Ct, Winchester Rd, Basingstoke [illegible]				
£50,000+	10.50	7.88	[illegible]	—
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT 071 267 1586				
H.I.C.A. (£2,500+)	9.95	7.4625	10.43	—
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS 0272 433372				
£50,000 and above	10.40	7.80	10.40	—
£25,000+	10.00	7.50	10.00	—
£10,000+	9.80	7.35	9.80	—
£5,000+	8.40	6.30	8.40	—
Midland Bank plc PO Box 2, Sheffield 0742 529344				
Exchequer Acc £10,000+	10.02	7.52	10.25	—
£25,000+	10.49	7.87	10.75	—
£50,000+	10.73	8.05	11.00	—
TESSA	11.00	—	11.00	—
NatWest Crown Reserve Account 41 Lothbury, London, EC2P 2BP 071-374 3374				
£25,000 and above	10.25	7.69	10.65	—
£10,000 to £24,999	10.00	7.50	10.38	—
£2,000-£9,999	9.625	7.22	9.98	—
Provincial Bank PLC 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	8.75	6.56	9.11	—

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

■ Latest Share Prices are available on FT Cityline, [illegible] 0836 43 + [illegible] digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To [illegible] a free Share Code Booklet call 071-925-2128.

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distributions and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

● "Tap Stock"
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♥ [illegible]ly [illegible] listed; dealings permitted under rule 535(4)(a)
♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
§ Price at time of suspension
¶ Not comparable
† Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date.
|| No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex [illegible] xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

RTZ [illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes [illegible] been made [illegible] FT Share Information Service:

Additions:

Murray Split Income Inv. Trust Ord, Cap Shares, Units [illegible] Zero Div. Pref. Shares (Section: Inv. Trusts).

Western & Pacific Resources (Mines).

World Trust Fund (Trusts, Finance, Land).

Do. Warrants (Trusts, Finance, Land).

Deletions:

[illegible] Prebon (Trusts, Finance, Land).

Lawtex (Industrials).

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. [illegible] at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,1?0.1	Abbott Laboratories[illegible]	31½	-2.4	[illegible]	10.7	FeMyAuNv	1503
135.1	Allegheny & W 1c	260p	-9.7	[illegible]	–	–	–
902.4	Amdahl 5c	816p	0.6	[illegible]	31.1	NvMrJeAu	–
3,413.8	Amer. Cyanamid $5	36½	-1.7	[illegible]	27.2	MrJeSeDe	–
4,9?1.4	Amer. Express 60c	14¼	-5.6	[illegible]	1.7	FeMyAuNv	1594
2?,?98.8	American T. & T. $1	22½	-4.3	[illegible]	27.3	FeMyAuNv	1597
[illegible]	AmeriTech $1	35¾	-0.2	[illegible]	28.3	FeMyAuNv	–
5,?0?.1	BankAmerica $1	24½	-4.1	[illegible]	16.8	FeMySeDe	1744
2,716.4	Bankers N.Y. $1	33½	-2.6	[illegible]	27.9	ApJyOcJa	1745
[illegible]	Bell Atlantic $1	28¼	-2.6	[illegible]	4.7	FeMyAuNv	–
[illegible]	BellSouth Corp.	28¾	-1.7	[illegible]	5.4	FeMyAuNv	–
778.6	Bethlehem Steel $8	10¼	-1.2	[illegible]	6.2	MrJeSeDe	1821
528.6	Bowater Inc.	1474p	-8.3	[illegible]	6.6	OcJaApJy	1884
[illegible]	CPC Intnl. 25c	52	-4.4	[illegible]	26.6	JaApJyOc	2263
164.6	California Engy	904p	-2.7	–	–	–	–
[illegible]	Campbell Soup 15c	44	-6.8	1.6	[illegible]	OcJaApJy	2050
[illegible]	Cap Cities/ABC $1	[illegible]	-5.0	6.4	[illegible]	FeMyAuNv	2109
1,5?4.6	Chrysler $6¼	6¼	-1.8	5.3	[illegible]	ApJyOcDe	2135
2,776.2	Citicorp $1	8¼	-4.3	7.2	[illegible]	MyAuNvFe	2141
3,65?.0	Colgate-Palmolive $1	23	-4.2	2.7	[illegible]	FeMyAuNv	2184
693.2	Cont'l Bank Corp $4	686p	-3.1	5.2	[illegible]	DeMrJeSe	–
733.1	Dana Corp. $1	17¾	-0.7	5.3	[illegible]	MrJeSeDe	2306
330.9	Data General	1199p	5.5	–	–	–	–
824.6	Dial Corp. $1.5	20¾	-4.0	4.0	28.5	JaApJyOc	2778
4,66?.0	Dun & Bradstreet $1	26½	0.5	4.9	13.2	MrJeSeDe	–
1,22?.3	Eaton Corpn. 50c	36	-5.6	–	2.2	–	2410
420.9	Echlin Inc	7½	-4.0	5.5	1.7	JaApJyOc	3046
3,0??.6	FPL Group 1c	19	-2.3	7.5	27.8	MrJeSeDe	–
2,8?5.8	Fluor Corp 62½pc	25½	-3.8	0.8	21.6	JaApJyOc	2609
8,7??.7	Ford Motor $1	17¾	-1.1	3.4	30.7	MrJeSeDe	2615
3?,??5.2	Gen. Elect. 63c	40½	-5.3	3.0	3.6	JaApJyOc	2675
–	General Inst Corp $1	455p	2.7	4.4	13.12	–	–
5,?98.5	Gillette $1	24¼	-2.5	1.5	24.5	MrJeSeDe	2695
824.3	Hasbro Inc 50c	14½	-9.4	1.0	[illegible]	JaApJyOc	–

[illegible]

CANADIANS

[illegible]

For Varity see Americans

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

4:00 pm prices September 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when [illegible] ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-d[illegible] xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices September 13

[illegible]

NASDAQ NATIONAL MARKET

4:00 pm prices September 13

[illegible]

MONDAY INTERVIEW

First fruits of age of austerity

Norman Lamont, the chancellor of the exchequer, talks to **Peter Norman**

It is unlikely that Mr Norman Lamont would [redacted] central casting's first [redacted] play [redacted] in an epic [redacted] the British economy.

[redacted] youthful, puckish [redacted] easily into a smile. He has a disconcerting [redacted] of chuckling [redacted] cussing [redacted] serious [redacted].

But [redacted] taking [redacted] chancellor of the exchequer nine and a half months [redacted] Mr Lamont [redacted] unwavering in [redacted] determination [redacted] bring [redacted] Britain's [redacted] of inflation. And in an interview [redacted] 11 Downing [redacted] week, [redacted] made clear [redacted] reducing inflation remains "very much [redacted] overriding objective".

[redacted] goal has [redacted] a steely adherence [redacted] austerity that seems [redacted] to reconcile with his well-known [redacted] for parties [redacted] good things [redacted] life. But it [redacted] his roots. [redacted] although Mr [redacted] every inch [redacted] merchant banker that he [redacted], [redacted] testify to a [redacted] puritanism and melancholy [redacted] his character [redacted] typical [redacted] *windswept* [redacted] was born.

[redacted] past nine [redacted] have [redacted] a testing [redacted] a man [redacted] promotion [redacted] chancellorship [redacted] by many [redacted] a reward for [redacted] successful management [redacted] John Major's leadership campaign rather than a natural step up [redacted] greasy pole of politics.

It has meant [redacted] to [redacted] unpopular policy of only grudgingly reducing interest rates against a background [redacted] soaring unemployment, rising bankruptcies and house [redacted]. Mr Lamont [redacted] subjected to [redacted] criticism from [redacted] the Conse[redacted] party's traditional supporters in the press. There have recently been whispers at [redacted] his relations with [redacted] prime minister are [redacted] what they [redacted] when he acted as kingmaker to Mr Major.

The chancellor dismisses such talk. [redacted] he has an "extremely easy and good relationship" with John Major, sees him privately every [redacted] and talks all the [redacted] on the telephone [redacted] him.

[redacted] forthright [redacted] con[redacted] with an [redacted] way [redacted] dealing with questions. Mr Lamont picks his [redacted] with [redacted] often pausing in mid-sentence, in a way [redacted] carries hints of [redacted] Scottish [redacted] lost during [redacted] progress through Cambridge and Conservative politics.

But natural caution apart, the chancellor [redacted] relaxed. That [redacted] he [redacted] economy [redacted] going his [redacted].

He [redacted] "increasingly confident" that there will be a recovery in the [redacted] half of this year. "Britain is [redacted] out [redacted] recession," [redacted] "I think [redacted] or around [redacted] turning point. The [redacted] highly encouraging and pointing very much in [redacted] direction."

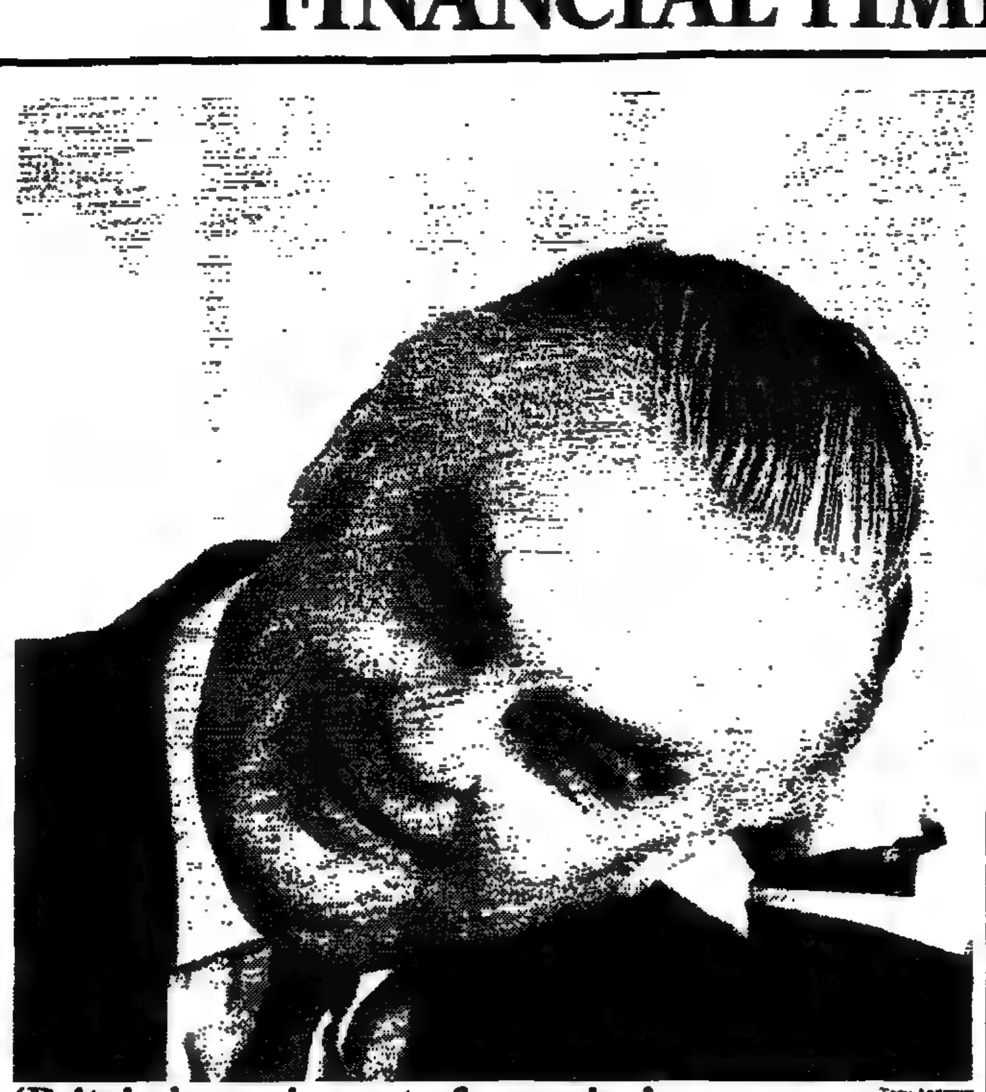
"It [redacted] a [redacted] ery. [redacted] doesn't [redacted] straight lines there are always [redacted] edges," he [redacted]. However, he [redacted] ation of policy [redacted] months to help [redacted] on its [redacted].

But [redacted] pegging sterling to the D-mark in the exchange rate mechanism (ERM) of the European Monetary System, [redacted] UK to a future of [redacted] growth [redacted] high unemployment [redacted] the kind [redacted] experienced during [redacted]

"I don't [redacted] follows, [redacted] we [redacted] positioned [redacted] we joined the ERM... We fought a [redacted] against inflation [redacted] low [redacted] in [redacted] *mid-Eighties*. [redacted] reduction [redacted] having [redacted] now, difficult though it [redacted] been, [redacted] furthermore [redacted] supply-side changes – [redacted] greater productivity, [redacted] flexibility, the competitiveness, the improved industrial relations – all [redacted] things put us in a much stronger position than [redacted] when [redacted] joined [redacted] ERM. I don't think it follows, though I know a lot of people say this, that we have to have a long period of niggardly growth."

Looking back on his term as chancellor, he is pleased with [redacted] "I do actually think that [redacted] months have really gone quite well. It has been extremely difficult, but we've managed to reduce inflation, [redacted] than [redacted] it, we've managed to make reductions in interest rates that [redacted] people [redacted] the time [redacted] autumn thought couldn't be done, we've managed to build up our credibility within the ERM and we've [redacted] had a Budget that I think had [redacted] long-term reforms, but [redacted] had a dramatic switch from [redacted] local to [redacted] government taxation, and reduced community charge bills by [redacted] quid."

Mr Lamont's [redacted] these [redacted] will help the government [redacted] the [redacted] election in spite [redacted] rising unemployment and recent [redacted] in Britain's cities. "The [redacted]



Tony Andrews

'Britain is coming out of recession'

PERSONAL FILE

[redacted] Chairman Cambridge University Conservative [redacted]

1964 President, Cambridge Union.

1968 Joins N M [redacted]

[redacted] Conservative MP for Kingston-upon-Thames.

1981 Minister of [redacted], Department [redacted] Trade and Industry.

[redacted] Minister of state for [redacted] procurement.

1986 [redacted] secretary to [redacted] Treasury.

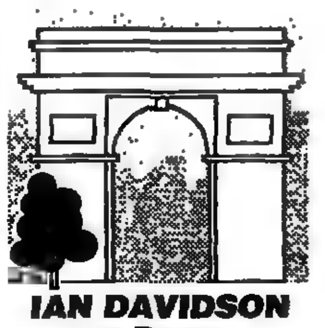
1989 Chief secretary [redacted] Treasury.

[redacted] Chancellor [redacted]

A new brand of black leader

MICHAEL PROWSE on America

Two speeds are unavoidable

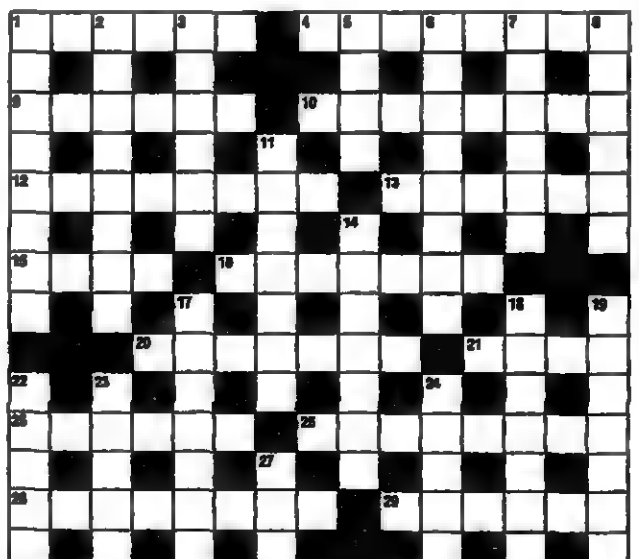


IAN DAVIDSON on Europe

JOTTER PAD

CROSSWORD

No.7,646 Set by TANTALUS



21 French bread causes discomfort (4)

25 Assembly agree about one female adviser (6)

26 Fiery sort of person? (8)

28 He's 17! (8)

29 Girl goes in to steer big gun (6)

30 Family help? (8)

31 See TV – perhaps English stuff (6)

17 Don't [redacted] in bird – [redacted] authoritative (8)

18 Not much cash about at one game of [redacted] (8)

19 F[redacted] position for [redacted]

22 See 1

[redacted] type in [redacted] military [redacted] (6)

[redacted] It's very [redacted] so [redacted] pub in [redacted]

27 Assumes [redacted] is [redacted]

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 28.

NGC Settlements Limited

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Co-operative Bank	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Coutts & Co	10.5	Midland Bank	10.5
AIB Bank	[illegible]	Cyprus Popular Bk	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Duncan Lawrie	[illegible]	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Banco Bilbao Vizcaya	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of India	11	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Banque Belge Ltd	10.5	Girobank	10.5	TSB	10.5
Barclays Bank	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Beneficial Bank	11	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	[illegible]	Hampshire Trust Plc	[illegible]	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
CL Bank Nederland	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
Clydesdale Bank	[illegible]	● Leopold Joseph & Sons	10.5		
		Lloyds Bank	10.5		
		Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

FINANCIAL TIMES SURVEY

INDIA

Defence strategy is being pulled in different directions: Page 3

The new industrial policy has deregulated vast chunks [redacted] the economy: Page 6

SECTION III

Monday September 16 1991

As India enters an era of unprecedented economic change, **David Housego** finds the ruling Congress party's traditional monopoly on power coming under challenge and questions whether the scope of the new measures is broad enough to pull the country out of its troubles

Fundamental shift in focus

INDIA during [redacted] past 12 months has passed through what has probably been its most momentous period since independence. The economic reforms introduced by the new Congress administration of prime minister P V Narasimha Rao go further than any previous deregulation measures towards integrating into the world economy what has been a highly protectionist country.

Reforms were precipitated by India's coming close to default earlier this year on repayments of its foreign debt – a shock to national pride that itself reflected the failure of the doctrines of self reliance and central planning that have guided economic management over the past 40 years.

The Congress party, which has had an almost uninterrupted monopoly of power since independence, has come under challenge as the natural party of government from a Hindu militant movement, the *Bharatiya Janata Party* (BJP).

The BJP now controls three north Indian states – including Uttar Pradesh, the largest – and is the main Opposition party in the Parliament. Its success in the June general elections – riding on the back of several months of Hindu-Moslem violence in north India – [redacted] widespread disillu[redacted] Congress rule [redacted] the appeal [redacted] alternative vision [redacted] Hindu state.

The assassination of Mr Rajiv Gandhi, the former prime minister and leader of the Congress party, by extremist Tamils from Sri Lanka, brought at least a temporary end to the domination of India by the Nehru family.

It has left the Congress party without a national symbol *around which to rally*, d[redacted] over the long term leadership of the party, and uncertain over which direction to follow. Its confusion reflects the fragmentation of the centre ground of Indian politics.

The collapse [redacted] the [redacted] Union – India's leading ally – has removed a cornerstone of Indian foreign policy which has traditionally looked to the [redacted] Union as a counterweight to US influence in the world. It is also bound to give an impetus to India's own separatist and regional movements which see in the example of the Russian Republics a model for their own campaigns for independence or autonomy.

Many of the ideas and insti[redacted] have [redacted] India since independence – the Nehru framework of self-reliance, socialism, central planning, secularism and the Con[redacted] *party* – seem [redacted] attack or no longer relevant.

Prime minister Narasimha Rao leads his country on a path *to reform, but events may not permit the leisurely timetable that he and many senior Indian officials would prefer*

Political parties are still unwilling to espouse the alter[redacted] of [redacted] economics, and of an Indian union reformulated to make a virtue out [redacted] giving more autonomy [redacted] the states. But these are likely to be the fundamental tenets of [redacted] centrist party seeking to achieve higher rates of economic growth.

By comparison with the economic reforms in East Europe – [redacted] the more ambitious restructuring undertaken by [redacted] – the policies adopted in India seem modest. They include a programme of fiscal and balance of payments stabilisation: the removal of most [redacted] licensing; the lifting of restrictions on the further growth of large companies; trade deregulation: and further encouragement to foreign investment.

The measures mark a fundamental [redacted] in direction – [redacted] an environment where [redacted] main focus of business strategy was on obtaining licences to one where increasingly competition will determine which firms succeed.

The measures give companies a new freedom to expand capacity to achieve high volume production, to diversify into [redacted] products and [redacted] grow through [redacted] and acquisitions. For aggressive, well managed [redacted] financially strong groups, they provide tremendous opportuni[redacted].

More vulnerable [redacted] they will not survive. In this sense the reforms mark a [redacted]ing point in a country [redacted] capitalism and profit [redacted] long been regarded [redacted] distasteful.

The [redacted] direction [redacted] announced against [redacted] ground of a [redacted] halt [redacted] commercial lending [redacted] India by international banks [redacted] of [redacted] India [redacted] default on [redacted] repayments. The [redacted] still [redacted] fragile. Foreign exchange [redacted] low – although India should [redacted] drawing [redacted] a new $2.3bn standby [redacted] from [redacted] International Monetary Fund which [redacted] for approval by the board [redacted] the Fund.

India still [redacted] able [redacted] count on automatically rolling [redacted] short [redacted] debts. It will need [redacted] $9bn this financial year in fresh funds from the multilateral [redacted] and [redacted] in [redacted] to finance [redacted] current [redacted] deficit as well as loan repayments on its outstanding [redacted] foreign debt.

However, the [redacted] and [redacted] banks [redacted] that far more radical [redacted] improve export per[redacted] in an [redacted] generally suffers from high costs, [redacted] productivity and poor quality. Mr Michel Camdessus, [redacted] managing director [redacted] IMF, recently told an Indian newspaper that "the support [redacted] international community [redacted] quite dependent [redacted] the [redacted] and determination [redacted] your national efforts".

The type of measures they are pressing for include a substantial reduction in high domestic tariff [redacted] which [redacted] it more profitable for industry to produce for [redacted] exports; cuts in the labour force in the heavily overmanned public sector; the p[redacted] of government directed lending in the banking sector; and increased autonomy for public [redacted] companies and nationalised banks [redacted] prelude to privatisation.

[redacted] hard to [redacted] how [redacted] such as telecommunications, banking, steel, cars and electronics will be made internationally competitive without substantial inflows [redacted] foreign capital and technology. But suspicions of foreign multinationals still remain.

The confidence [redacted] the international financial markets in India will not fully return until the government is heading further [redacted] the path of reform. The [redacted] guarantee of maintaining [redacted] momentum would be for India to seek – and Dr Manmohan Singh, the finance minister, has said that this [redacted] his intention – [redacted] further three [redacted] IMF under [redacted] extended fund facility. [redacted] would provide [redacted] the period and closer monitoring of [redacted] Indian [redacted]nomy.

Although Dr Singh and some [redacted] his colleagues [redacted] new [redacted] are [redacted] long haul, many in [redacted] government and [redacted] *Congress party* [redacted] *half* [redacted] in their support.

Experience elsewhere [redacted]gests [redacted] where [redacted] IMF restructuring programme [redacted] carried through with [redacted] full backing [redacted] – [redacted] in Indonesia – [redacted] chance [redacted] In [redacted] the main threat [redacted] macroeconomic management comes of [redacted] inflationary spiral getting out [redacted] – with a devaluation fuelling inflation [redacted] further depreciation of [redacted].

[redacted] 70, Mr Narasimha Rao seems an elderly figure [redacted] leading [redacted] country through a period [redacted] tumultuous change. He [redacted] proved [redacted] stronger and [redacted] clear-headed Prime Min[redacted] than [redacted] had expected. But as the head [redacted] minority administration he remains politically vulnerable.

His own [redacted] for cau[redacted] change came through in [redacted] immedi[redacted] after [redacted] coup against Mr Mikhail Gorbachev – seemingly warning [redacted] showed the risks [redacted] hasty [redacted]. But the [redacted] may [redacted] allow the more leisurely timetable [redacted] he [redacted] many senior Indian officials would prefer.

IN THIS SURVEY

Editorial production: Sarah Murray

K K Sharma finds the Congress facing [redacted] formidable opposition

Power [redacted] on fragile base

MR P V Narasimha Rao, who heads the minority Congress government in India, is an apparently phlegmatic prime minister who has shown remarkably alacrity in initiating urgently needed [redacted] nomic reforms in the [redacted] weeks during which [redacted] has been in [redacted]

He has done this without forming a coalition and with only occasional consultations with the opposition parties, which together outnumber [redacted] Congress members and their allies in parliament.

National elections earlier this year, the third in just over two years, [redacted] led [redacted] hung parliament. With Mr Rajiv [redacted] having [redacted] nated in the middle [redacted] election, the Congress [redacted] emerged as the single largest party but with [redacted] leadership [redacted] only temporarily resolved.

Political instability is inherent in [redacted] situation. This [redacted] be prolonged as rival parties contend for [redacted] at a time when no single party can hope [redacted] majority.

For the present, the Con[redacted] is faced with [redacted] formidable, if divided, opposition which has strong segments that aspire to replace it in the [redacted] elections, whenever these might [redacted]

The threat to the faction-ridden Congress – which Mr Rao [redacted] far unsuccessfully [redacted] to weld together after becoming the consensus choice of its leader as an elder statesman – comes mainly from the Hindu-revivalist Bharatiya Janata Party (BJP).

This [redacted] as many as 117 members in the Lok Sabha, [redacted] lower house of parliament, in contrast [redacted] the nominal two members it [redacted] represented by [redacted] Mr Gandhi [redacted] Prime Minister.

The BJP already forms [redacted] governments in [redacted] northern states, including [redacted] politically-important Uttar Pradesh, and thus controls large [redacted] ments of the Hindi heartland. Its rapid accretion [redacted] strength brings to the [redacted] with strong, publicly announced policies [redacted] Hindu nationalism that many Indians find attractive.

The BJP [redacted] official opposition, promoting [redacted] the alternative [redacted] the Congress, [redacted] respectability by playing [redacted] effective role both in parliament and outside. However, [redacted] performance in [redacted] controls [redacted] from [redacted] image [redacted] disciplined force and it still carries the stigma – its followers would say appeal – of leading a bloody mass movement [redacted] the issue of demolishing a Moslem shrine in Ayodhya.

But its fevered [redacted] have allowed the BJP to act as an effective opposition, at least in parliament. As the party has shown in the past, even the moderates within it will not find it easy to compromise on many issues on which it has taken extreme views publicly. The threat to Mr Rao is strongest from the BJP.

Mr Rao is weakened also by the fact that the Congress [redacted] still ridden with factions

Mr Rao is weakened also by the fact that the Congress, [redacted] it has emerged in the post-Gandhi [redacted] still ridden with [redacted] and continues [redacted] barely hidden [redacted] the leadership.

Many of [redacted] yearn for [redacted] umbrella [redacted] the Gandhi family [redacted] considerable pressure [redacted] Mr Gandhi's widow, the Italian-born Sonia, to take her husband's place.

Mrs Sonia Gandhi has been meeting large numbers [redacted] Congress members [redacted] parliament and others in the party still proclaiming loyalty to her family. Their immediate aim is [redacted] persuade her to [redacted] the parliamentary by-election from Mr [redacted] constituency of Amethi and, by implication, [redacted] lead the party.

Mrs Gandhi has maintained an enigmatic silence [redacted] this, although [redacted] has [redacted] a trip [redacted] the US, suggesting that [redacted] has decided not [redacted] enter politics. However, while uncertainty over [redacted] Mr Rao's position as leader remains weakened. He is [redacted] in [redacted] position of having to deal both with [redacted] traditionally fractious factional politics within the Congress at the same time that he [redacted] the challenge from [redacted] opposition.

The Prime Minister has already [redacted] embarrassed by the revolt from the Karnataka state wing of the Congress on the issue of sharing of the [redacted] the Cauvery river with Tamil Nadu, a [redacted] ruled by his allies in the All India Anna Dravida Munnetra Kazagham (AIADMK) [redacted] support to the government is vital in parliament.

The Cauvery [redacted] issue is the first warning signal of trouble from within the Congress party. It is [redacted] indicative of the powerful [redacted] on Mr Rao from the [redacted] a time when the Central government is weak. Many states [redacted] ruled by non-Congress parties wanting to dilute the powers of [redacted] centre; [redacted] want [redacted] from the Indian Union.

A wag has said that Mr Rao's is a minority government on daily [redacted], constantly [redacted] the [redacted] of the numerically stronger opposition parties and [redacted] Congress factions which he is in no position to control.

Such is the fragility of the government that it could fall on [redacted] if the Congress's notoriously [redacted] floor management in parliament happens to fail.

Mr Rao is protected by the [redacted] that no party wants another early election after the country has gone through two violent and traumatic national polls in less than two [redacted]. As a Communist member said: "The people will stone us if we [redacted] for their [redacted] again."

For the time being, Mr Rao is also protected by the consensus among all parties that concerted action is needed to tackle [redacted] economic [redacted] they have [redacted] on some crucial [redacted] – such as withdrawal of the fertiliser subsidy – [redacted] the government has been forced [redacted] compromise [redacted] itself.

It is possible to visualise a situation when such a compromise would be difficult, when one or the other of the opposition [redacted] or, [redacted] all the groups combined, might feel they could not give in on an issue on which they had taken a strong public position or on which they had given commitments they felt they could not withdraw.

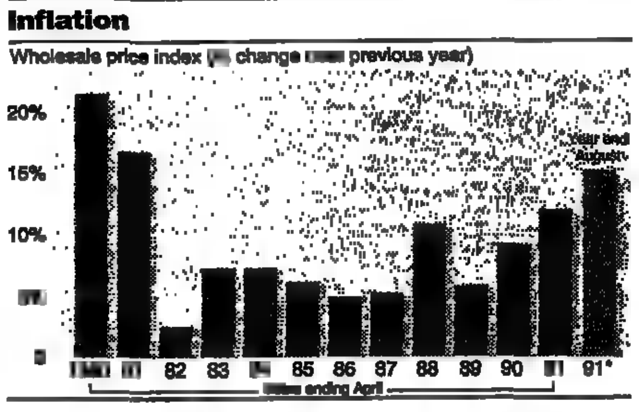
The BJP has already had some confrontations with the government and it will be even more intractable when it acts on the Ayodhya issue. For the present, however, the BJP is holding itself back because of the common wish to avoid elections and because of disagreements with other opposition groups, notably the National Front-Left combine, whose members are openly critical of the party's communal politics.

Indeed, Mr Rao survives from day-to-day, hoping for an increase in his party's numerical strength by the not unlikely break up of such parties as Mr V P Singh's Janata Dal – the dominant partner in the National Front – which is torn by internal dissensions and personal rivalries. Clearly, this is a fragile basis for the kind of strong government [redacted] India now needs.

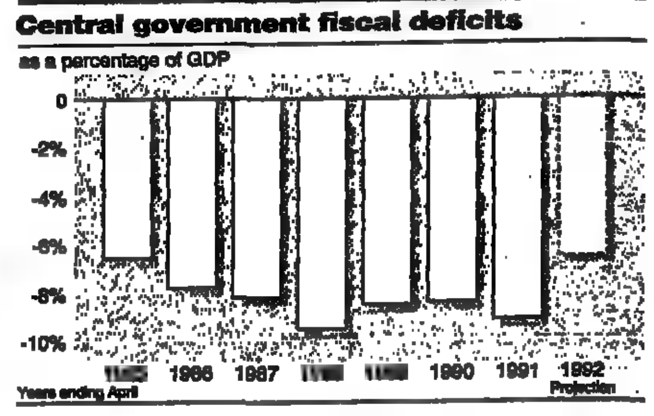
David Housego finds the benefits of the changes will take several years to be felt

Bold reforms face the test of time

Inflation



Central government fiscal deficits



AFTER coming close [redacted] foreign [redacted] repayments [redacted] year, [redacted] under its [redacted] government [redacted] a programme [redacted] macroeconomic stabilisation and [redacted] ranging structural reforms which [redacted] aimed [redacted] improving [redacted] competitiveness.

The [redacted] still [redacted] short [redacted] bring about a substantial improvement in [redacted] nomic performance – and [redacted] will [redacted] to three [redacted] felt. Over [redacted] term, the government [redacted] uncomfortable period [redacted] high inflation, sagging output and [redacted] fragile [redacted] payments that will [redacted] determination [redacted] policies.

Public opinion has [redacted] ill-prepared [redacted] change is bound [redacted] be painful. If [redacted] measures [redacted] work, substantial [redacted] will [redacted] needed in [redacted] public [redacted] and [redacted] nationalised [redacted]

[redacted] of [redacted] actions [redacted] Dr Manmohan Singh, [redacted] new finance [redacted] bold [redacted] *per cent* [redacted] rupee intended [redacted] halt [redacted] of [redacted] term capital and to provide [redacted] more competitive exchange rate.

The d[redacted] budget that he announced in July reduced the fiscal deficit from [redacted] per [redacted] gross domestic product in [redacted] financial year 1990-91 [redacted] a planned 6.5 per cent this [redacted]. A cumulative fiscal deficit averaging more than 8 per cent of GDP over the [redacted] six years has been the principal factor behind growing inflationary and balance of payments strains.

The finance minister has [redacted] said [redacted] would [redacted] brought down to between [redacted] and [redacted] in next year's budget.

These [redacted] been accompanied by a [redacted] and [redacted] controls and [redacted] further liberalisation [redacted] foreign investment.

But many of [redacted] big structural [redacted] – [redacted] in protective [redacted] where [redacted] has [redacted] the highest in the world, using [redacted] mechanisms [redacted] allocate bank credit, providing autonomy [redacted] public [redacted] banks and industries, [redacted] reducing [redacted] public [redacted] work force – [redacted] yet [redacted] carried out.

The International Monetary Fund – which provided rapid balance of payments assistance to India earlier this year – and [redacted] expected to back these reforms with further loans. Approval for a fur*ther $2.3bn IMF stand-by credit* and a $500m World Bank structural adj[redacted] loan is expected in the coming weeks.

Dr Singh also told the *Finan*[redacted] would apply for an Extended Fund Facility (EFF) loan from the IMF. This could provide India with a much needed [redacted] of a further $5-7bn over [redacted] years.

But the loan is accompanied by much tighter monitoring of the Indian economy, that would provide some guarantee to India's [redacted] creditors that the momentum [redacted] reform would be maintained. Because of this, there is still resistance to it within the government and the Congress party.

[redacted] the opening [redacted] negotiations with the IMF on an EFF borrowing would, [redacted] than any other measure, help boost confidence in India on the international financial markets.

Since fears of default earlier [redacted], India continues to be placed in a risk category by the [redacted] US and [redacted] ing agencies. It [redacted] automatically rolling over short-term credits of [redacted] Important Indian public [redacted] borrowers still [redacted] will be several months before they [redacted] borrow commercially abroad [redacted] non-prohibitive rates.

The foreign exchange [redacted] have been [redacted] by sales [redacted] gold [redacted] will [redacted] further [redacted] by the first [redacted] *of the new IMF* [redacted]

Many of the big structural reforms have yet [redacted] be carried out

But [redacted] provide little room [redacted] The gov[redacted] hopes [redacted] cut the [redacted] account deficit – calculated on [redacted] World Bank definition which includes interest payments [redacted] Non-Resident Depos[redacted] – to [redacted] from $10bn in 1990-1991.

But principal repayments on outstanding loans will add a [redacted] burden [redacted] an outstanding [redacted] of over $70bn.

This requirement of a capital inflow [redacted] in the cur[redacted] financial [redacted] will be difficult to [redacted]. Normal aid [redacted] from multilateral institutions and bilateral [redacted] will provide [redacted] $5.5bn. [redacted] foreign investment could account for [redacted] further [redacted]

But for the rest, the government will be dependent on exceptional assistance from the IMF, the World Bank and donor nations and from [redacted] commercial markets.

Domestically the biggest test of the government's macroeconomic policy – and thus the biggest threat to confidence abroad – will be its ability to curb inflation. As measured by the wholesale price index, the year-on-year inflation rate rose *in August to 15.2 per cent* as against 7.7 per cent a year before. Devaluation, import shortages as a result of the for[redacted] exchange crisis, and the [redacted] level of liquidity in the economy are all contributing to accelerating inflation.

Through a tight [redacted] policy, [redacted] government[redacted] is to bring the inflation rate down to 9 per cent by March. In support of this, the Reserve Bank has reduced its target for the growth in the money supply from 14 per cent last year to 13 per cent this year. But the government also has to hold the line against public sector wage increases.

The risk remains that India will find it difficult to break free of the cycle of devaluation fuelling inflation and hence further depreciation that has knocked IMF programmes off the rails in other countries.

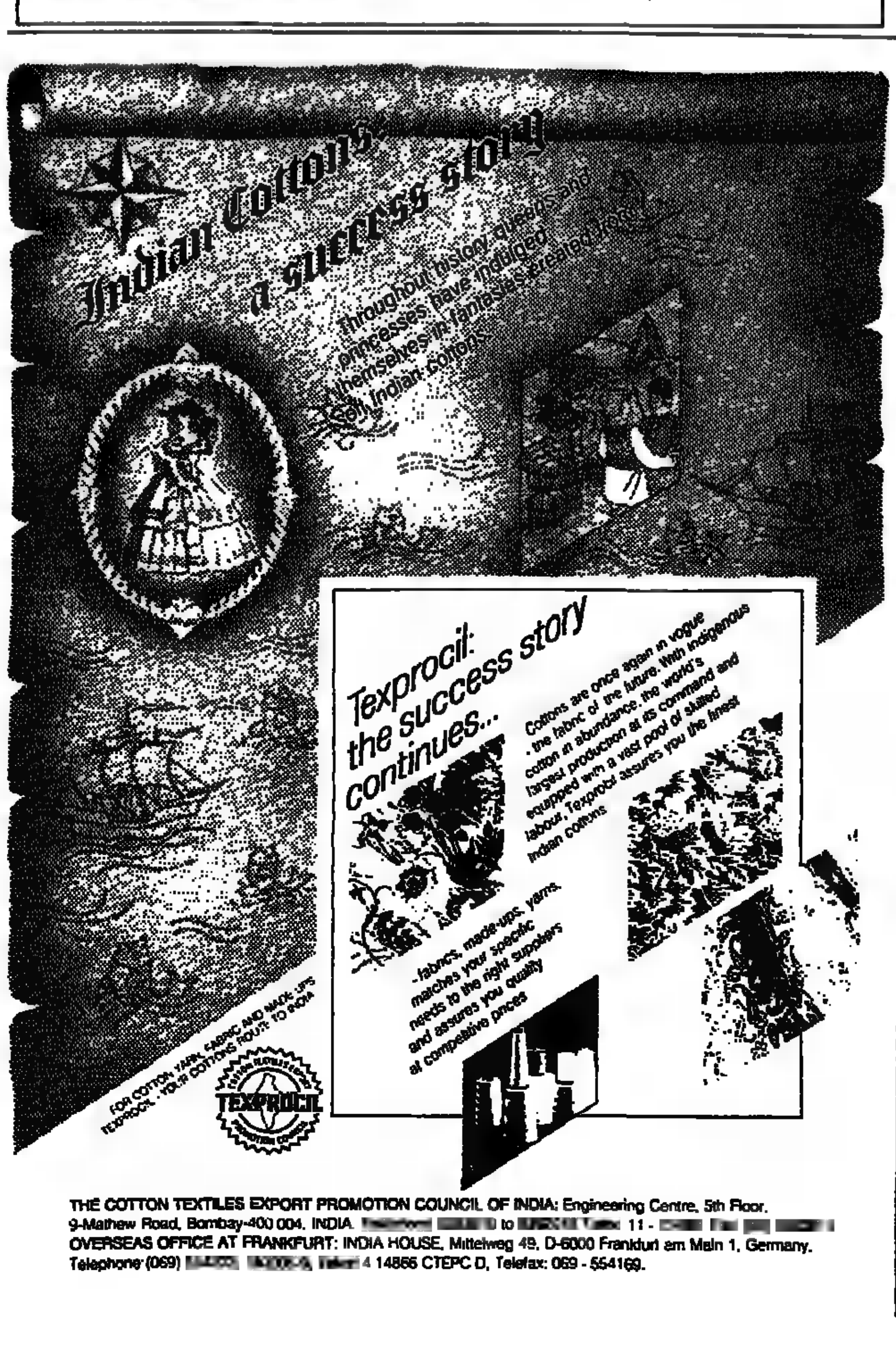
Another danger is that [redacted] restructuring will [redacted] jeopardised by the shortage [redacted] foreign exchange and [redacted] imports.

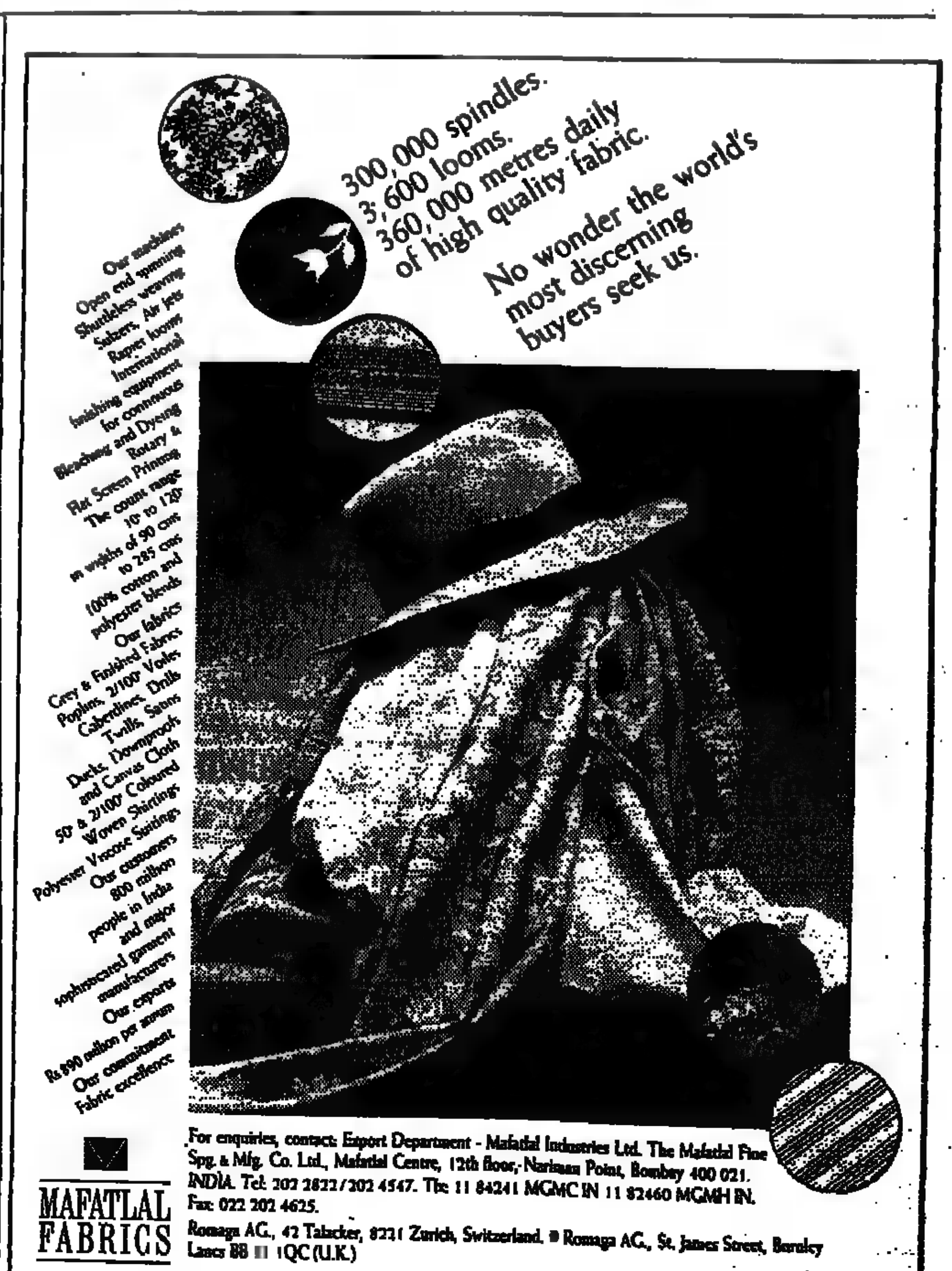
[redacted] restrictions imposed earlier this year, imports of [redacted]ital equipment and components have been drastically curbed [redacted] recently.

Mr S Venkitaramanan, the governor of the Reserve Bank, says he wants to relax them, but not before the foreign exchange [redacted] reached [redacted] "reasonable and sufficient level". This [redacted] be delayed by the unexpected tumble of [redacted] in [redacted] first *quarter* [redacted] the financial year. They fell 6.6 per cent in dollar terms as against the same quarter in 1990.

The squeeze on imports, the cuts in government expenditure and higher interest rates are all pointing to a slowdown in economic growth. The most visible sign of this at the moment is the drop in fixed capital investment. Industrialists are also holding back on fresh outlays of capital because of uncertainty over the impact of reforms and over what tariff cuts to expect.

Industrial output is still being buoyed up by the strength of rural demand. Farmers' incomes have benefited from four good monsoons and concessions such as the waiving of rural debt last year. But some industrialists believe that industrial growth could drop to 4 per cent – bringing the growth in real gross domestic product to below the 3 per cent increase being forecast by the Reserve Bank of India (the central bank).





While the government plans to reduce expenditure, others argue that the forces need modernising

Defence cuts at odds with army demands

A NUMBER of recent developments have [redacted] alarm bells ringing among the hawks in India's armed forces and the ministry of defence.

A financial crunch has forced the government to cut expenditure on defence in real terms, the Soviet Union – India's main supplier of sophisticated weaponry – is going through an internal upheaval and the recent Gulf war has shown that the three services are in need of modernisation.

The reappraisal that these events have prompted has caused contradictory pulls. The chiefs of the three services have made strong cases for acquisition of new weapons, arguing that defence preparedness cannot be sacrificed without harming national interests.

This has come at a time when the government is making studies to reduce expenditure and is, in fact, examining recommendations of a high power committee that recently scrutinised India's defence preparedness. This has recommended changes in the context of the country's new security environment.

The committee's recommendations will probably never be made public but they are said to be in line with the school of thought that favours [redacted] restructuring of [redacted] making them more efficient while accepting that cuts in expenditure are inevitable as part of India's economic reforms.

The main argument of the doves, or those who believe that India must take current realities into account while planning its defence needs, is that the threats on the border have changed in recent years. They maintain that the Sino-Indian border does not need the same degree of protection that led to a massive increase in defence expenditure for more than two decades after the bitter and bloody war of 1962.

That [redacted] lesson [redacted] being accepted by the country's defence planners is borne out [redacted] the fact that the forces deployed on the Himalayan borders in the north-east were recently reduced by three divisions which were sent to Kashmir – reinforcing the widely-accepted belief that India's main adversary remains Pakistan, not China.

This, by itself, has not reduced overall defence expenditure but has strengthened [redacted] arguments of those who [redacted] that the [redacted] of free spending on the armed forces are over and a more realistic approach is necessary.

This approach has already been reflected in decisions such as abandonning the plan to buy a third, and highly expensive, aircraft carrier or not adding to the existing submarine fleet. There are also clear signs that the programme to develop the army's armoured fire-power is being pruned.

The budget presented in July places defence expenditure in 1991-92 at Rs163bn which, taking inflation into account, makes for a reduction of around 8 per cent over the previous year in real terms. However, unlike the attempt by Mr Rajiv Gandhi during the end of his prime ministership to make an across-the-board cut, the reduction is to be applied unevenly.

Details are not being announced for obvious reasons but clearly the chiefs of the three services are not happy at the decision. They argue that cuts should be on the basis of a position of confidence, as part of an overall agreement with Pakis[redacted] and China. This is nowhere [redacted] the horizon, although bilateral talks with China have led to on-the-ground steps to reduce the possibility [redacted] on [redacted] border.

A soldier in Kashmir: Most accept that the main adversary is Pakistan, not China

That India's defence expenditure [redacted] well beyond [redacted] means, particularly at [redacted] time of [redacted] current financial stringency, [redacted] clear from the fact that it has been [redacted] high 3.8 per cent of [redacted] product (or even [redacted] per cent, [redacted] outlays on the related fields of atomic energy and space are [redacted] account).

Much of this is accounted for by imports [redacted] hardware. Although [redacted] import bill [redacted] a closely-guarded secret, analysts have [redacted] this [redacted] variously at $2.85bn to [redacted] in [redacted] past five [redacted]

This has increased the striking abilities of the three services with the acquisition [redacted] more tanks, artillery and ships together with re-equipment with modern high-performance aircraft and upgrading [redacted] air defence infrastructure.

Accompanying this is the rising unit costs of weapons. The cuts will mean smaller imports although this does not necessarily mean that purchases from western sources will be the most greatly [redacted]ected.

This [redacted] because supplies from the Soviet Union, the cheapest because they involved [redacted]nt in [redacted] and on [redacted] credit terms, have become uncertain.

[redacted] it is, some analysts [redacted] that the erratic supply of spares will soon make [redacted] considerable part [redacted] Soviet-supplied hardware [redacted] for operational [redacted]

The [redacted] of [redacted] has been strengthened by the recent Gulf war and the ease with which sophisticated electronics neutralised Iraq's air force. Their case for expensive equipment to counter this is being met with the argument that in the future they need to deal only with Pakistan's limited capabilities and these have already been reduced because of the cuts in US aid.

Yet the question [redacted] reduction in defence expenditure, if only because of [redacted] current financial difficulties and pressure from the international lending agencies, remains difficult because of the problem of identifying the areas where [redacted] could [redacted] applied.

If Soviet-acquired weaponry is no longer reliable until supplies of hardware and spares again become assured, capital expenditure will need to be increased, rather than to be allowed to fall. At [redacted] part of the replacement costs will have to b[redacted] on imports from western sources, particularly because of the [redacted] *develop* its own weaponry (projects such [redacted] development [redacted] main battle tank and an indigenous light [redacted] aircraft have made notoriously slow [redacted] cost).

The [redacted] seems to [redacted] in [redacted] in manpower since, if it [redacted] accepted [redacted] China [redacted] longer the threat it was, an army of [redacted] a million strong – the fourth largest in the world – [redacted] an unnecessary extrava[redacted] redeployment [redacted] could achieve much more within the new financial parameters.

[redacted] K Sharma

[redacted] Delhi

KEY FACTS

Area	[redacted] sq km
Population	[redacted] million ([redacted] estimate)
Head of State	President R Venkataraman
Currency	Rupee (Rs)
Average Exchange Rate	1989 $1=Rs16.23 [redacted] =Rs17.50
	June 1991 $1=Rs21.06

ECONOMY	1989	1990
Total GDP ($bn)	260.1	276.3
Real GDP growth (%)	5.5	4.2
GDP per capita [redacted]	*320.0*	*334.0*
Ori[redacted]in of GDP by sector [redacted]		
Agriculture	30.6	30.4
Industry	31.0	31.8
Services	38.4	37.8
Consumer prices (% change pa)	6.2	9.0
Ind production (% change pa)	5.5	11.0
Reserves minus gold ($bn)	3.9	1.[redacted]
Narrow Money growth (% pa)	18.0	11.[redacted]
[redacted] Money growth (% pa)	15.7	[redacted]
Bank rate (% pa, year end)	10.0	10.0
Lending rate (% pa, avg)	16.5	16.5
Total debt [redacted] ($bn)	62.5	70.4
Total debt as % of GDP	24.0	25.5
Debt Service ratio (%)	23.2	25.2
Debt [redacted] capita [redacted]	77.0	85.0
Public [redacted] deficit as [redacted] GDP	-6.0	-7.5
Current Account Balance ($bn)	-7.5	-8.7
Exports ($bn)	16.6	18.9
Imports ($bn)	22.5	26.1
Trade Balance ($bn)	-5.9	-7.2
Main Trading Partners (1990, % of total)	Exports	Imports
USA	18.6	9.7
USSR	13.1	7.1
Japan	10.9	9.2
Germany	7.5	8.7
UK	7.2	9.0
EC	27.1	34.4

Source: IMF, Economist Intelligence Unit, [redacted]

S VENKITARAMANAN

Bank chief calm in crisis

MR S Venkitaramanan had a baptism of fire as governor of the Reserve Bank of India, the country's central bank.

Shortly after he was appointed earlier this year by former prime minister, Mr Chandra Shekhar, India's long-running balance of payments problems escalated into crisis as its foreign exchange reserves fell to dangerously low levels. There was a grave risk that the country would be unable to meet its day-to-day needs for foreign exchange, and that it would therefore have to default, creating a debt crisis similar to that suffered by many Latin American countries in the 1980s.

The new central bank chief played a key role in overcoming the crisis. He quietly gave firm undertakings to leading foreign central and commercial banks that India would not default, and he took emergency measures to meet the need for cash. These included sales and pledges of gold.

Indian banks no longer appear to have day-to-day difficulties in rolling over their short-term credit lines in the international money markets. With the immediate crisis over, Mr Venkitaramanan has been able to turn to the pressing structural problems of the Indian banking industry. He has also had to respond to rising inflation by tightening monetary policy.

Reforms of the financial sector are a key part of the liberalisation programme now under way. If the government commits itself to them whole-heartedly, the prize will be – as well as a $500m World Bank loan to back them – a stronger, more competitive banking industry, and by implication a freer hand for the Reserve Bank to be a more independent and effective but less bureaucratic regulator.

The key man behind the economic reforms is Dr Manmohan Singh, the finance minister, who himself made a name as a firmly independent Reserve Bank governor. Much will therefore depend on the relationship between the two men. This is likely to be tested over the coming months by a series of decisions on appointments for chairmen of nationalised banks. The governor makes recommendations but the minister gives the final sanction.

Mr Venkitaramanan, 61, began his career as a civil servant in state administration, and gained experience [redacted] industry when he [redacted] to turn round a troubled petrochemical company in southern India. He proceeded into central government, and held the top civil servant posts in both the commerce and finance ministries. He left office at the fall of the government of Mr Rajiv Gandhi, and re-emerged this year.

Will he take a more independent approach? "Autonomy and independence are two different things," he says. "Autonomy of operations is a totally desirable goal. But in the Reserve Bank of India, you cannot be independent of the central government of the country in taking decisions which affect the economic well-being of the people."

Mr Venkitaramanan plans to withdraw the Reserve Bank's representatives from the boards of nationalised banks – although the government representatives will stay.

He will not be drawn on the role of the large banking department within the finance ministry – and whether it should be abolished – but simply points out that the government has an interest as owner of the banks.

The area in which the Reserve Bank's role is unquestioned is in bank supervision. Here, Mr Venkitaramanan sees a need for the Reserve Bank to have more expertise in accounting and to conduct more rigorous inspections. But at the same time, he says there should be less interference in banks' operations.

As in many other [redacted] economy, the ability [redacted] reduce the scale [redacted] bureaucracy while at the same time retaining simpler, firm regulation will only be tested as the government's economic reforms [redacted] into place.

The degree to which both politicians and bureaucrats are determined to pursue them in the financial sector will [redacted] shown in November when a special committee of banke[redacted] and officials makes recommendations to the finance minister on the financial sector.

After that, Mr Venkitarama[redacted] could be overseeing [redacted] much more competitive arena.

Alexander Nicoll

Plans aim to achieve 'social lending with sound banking', writes **Alexander Nicoll**

Banks stray from the socialist road

A banking hall in Calcutta: 'the time has come to put the emphasis on profitability'

INDIA'S banks are facing a [illegible] of the socialist philosophy which has guided their business for more than 20 years.

Since [illegible] Indira Gandhi began their [illegible] in 1969, banks have been [illegible] as instruments of government policy to redistribute [illegible] to rural [illegible] and public [illegible] industry, as well as to help fund the budget deficit through the channelling [illegible] a large proportion [illegible] their deposits into lending [illegible] the government.

Although the policy achieved many of [illegible] goals – especially by spreading banking [illegible] throughout the country's villages – it also created a monolithic, overstaffed, bureaucra-[illegible] and inefficient banking industry with no competition, a [illegible] structure, poor [illegible] portfolios, [illegible] profitability, and a severely [illegible] capital [illegible].

The government recognises that reforms [illegible] are [illegible] underpinning [illegible] the liberalisation of [illegible] upon which it has embarked.

But there are few easy options. The key [illegible] of willingness to [illegible] banks' problems head-on will come in November [illegible] a committee [illegible] the country's top [illegible] officials, appointed by the government, submits its recommendations.

Commitment [illegible] a credible [illegible] programme would win [illegible] loan from [illegible] World Bank, now under discussion, specifically [illegible] support the financial sector.

The committee's [illegible] terms of references [illegible] the efficiency, accountability, profitability, modernisation, [illegible] tition, capital structure, supervision and legislative framework of banks, as well as their role relative to [illegible] financial institutions. They [illegible] no specific [illegible] to perhaps the [illegible] sensitive issue, privatisation.

The possibility [illegible] banks will [illegible] privatised [illegible] already stirring [illegible] enormous, unionised staffs into industrial action, although a one-day strike planned for September 6 was called off after emphatic government [illegible] that it had no plans to privatise them.

Dr Manmohan Singh, finance minister, says: "We have no intention to privatise existing nationalised banks... [illegible] more competition in our banking industry but that [illegible] necessarily mean that you must privatise existing nationalised banks."

Mr S Venkitaramanan, governor of the [illegible] Bank of India (the central bank), [illegible] oversees the banking system, [illegible] that there [illegible] a number [illegible] which to [illegible] banks' capital base without privatisation, "even when there is complete public [illegible] orientation, capital can be enhanced", he says.

He is especially [illegible] by the [illegible] used by French [illegible] banks – which included non-voting stock – [illegible] has also suggested [illegible] other public [illegible] entities, [illegible] important [illegible] of banking services, subscribe [illegible] banks.

However, [illegible] is unlikely that [illegible] prudent investor [illegible] to fund a capital restructuring of [illegible] their current [illegible] without being assured of [illegible] commitment of government, bureaucrats, [illegible] the banks themselves to radical reform.

Mr M N Goiporia, chairman of the [illegible] of India, the country's largest bank, is clear that [illegible] cannot simply abandon the concept of "[illegible] banking" which lay [illegible] [illegible] and the subsequent direction of [illegible] "The gains [illegible] have [illegible] cannot be frittered away," he says.

Through [illegible] expansion of [illegible] – the banking system as a whole [illegible] 58,000 throughout India – Mr Goiporia says [illegible] "a serious social need has [illegible] met". But he [illegible] that "the time has come for consolidation, [illegible] put the emphasis on profitability and productivity and the commercial aspects of banking".

The first [illegible] which reformers will need to [illegible] is the extraordinarily high proportion of banks' [illegible] – currently [illegible] "statutory liquidity ratio", and have [illegible] requirements under which they must place [illegible] per cent of their deposits with the central bank [illegible] per cent of [illegible] incremental growth in their deposits. The return [illegible] by banks on this [illegible] is [illegible].

They [illegible] place [illegible] per cent of [illegible] deposits in government [illegible] and other eligible instruments as a "statutory liquidity ratio", and have cash reserve requirements under which they must place [illegible] per cent of their deposits with the central bank [illegible] per cent of the incremental growth in their deposits. The return [illegible] by banks on this [illegible] is [illegible].

However, forcing the government [illegible] to pay [illegible] for its money – [illegible] by reducing the proportion of banks required [illegible] in raising [illegible] yields – would only increase the fiscal deficit, which the requirements help to fund. Therefore, the government [illegible] statutory liquidity [illegible] until the budget [illegible] to fall, [illegible] is targetted [illegible] this year.

Mr Venkitaramanan says: "There is agreement that the banks' profitability will depend on [illegible] we can allow them more [illegible] play with their money and [illegible] pre-emption for government requirements. That can happen the [illegible] coming down."

Secondly, banks need greater freedom in lending. They are required to make 40 per cent of their advances to so-called priority sectors, essentially agriculture and small industry, at subsidised interest rates. The need for such support has considerably diminished.

[illegible] have [illegible] to forgive loans – [illegible] example under a [illegible] scheme when farmers' loans of up to Rs10,000 were waived, damaging farmers' [illegible] thiness, reducing [illegible] expectations of further waivers, and [illegible] banks financial [illegible].

Banks often have non-performing loans out [illegible] effectively bankrupt industrial companies but are expected to [illegible] new [illegible] to keep them operating. Their loan portfolios are [illegible] in poor shape.

The third need [illegible] banks to compete [illegible] each other, as well as with other types of financial institutions, in every [illegible]. Until recently, [illegible] were not allowed [illegible] their bank, and there was no competition on interest rates.

Specialised developmental financial institutions, also state-owned, have handled all longer term lending and have developed similar problems [illegible] of competition among themselves and weakened loan portfolios.

There have already been moves towards greater competition including the freeing-up of some interest rates. Foreign banks, which comprise a small but dynamic sector of the banking market, provide a strong competitive atmosphere at the margin.

Fourthly, nationalised banks need to shake up managements – implying much greater independence from the bureaucrats in Delhi and Bombay – and to address the most politically sensitive issue of all: their massive overstaffing and inefficient systems.

Trade unions have blocked significant modernisation and computerisation, resulting in poor customer service and a lack of information for management about banks' finances. The government is treading softly, [illegible] that it will not [illegible] a question of large redundancies [illegible] re-training [illegible] use of the [illegible] labour force.

Computerisation would make it easier to meet final need: for better accounting systems and supervision of banks' far-flung activities. The Reserve Bank plans to beef-up its accounting expertise and inspection procedures, but this will be meaningless unless the [illegible] have better oversight of their business.

If all these reforms are begun, banks are likely to win substantial infusions of new capital, whether from the public or private sector at home or abroad. Many would find it difficult to remain in business without them. The ultimate aim, a senior official says, is to achieve "social lending with sound banking". It is a daunting task.

PROFILE: HDFC

Mortgage pioneer under pressure

INDIA [illegible] a country with a massive shortage [illegible] housing. Hence the concern of housing finance institutions [illegible] the momentum of [illegible] lending [illegible] young families purchasing a house for the first time could be [illegible] by the government's credit squeeze.

The institution that has done most to pioneer the concept of mortgages in the country is a private sector organisation, Housing Development Finance Corporation (HDFC).

Started in 1977 in the face of much [illegible] that financial institutions could ever recover [illegible] HDFC now runs 350,000 [illegible] for individual house purchasers. [illegible] success [illegible] spurred [illegible] state owned banks [illegible] their own [illegible] businesses.

Over [illegible] past 14 [illegible] housing finance [illegible] have increased their [illegible] ment in [illegible] housing from a meagre one per cent to 15 per cent. But the number of new *houses being built each year* falls way below demand. Of India's 160m urban population (on the basis of 1981 figures), 32m to 42m live in slums.

To meet additional demand, 2m houses will need to be put up each year. At the moment about 300,000 new units are being built annually. HDFC, which is managed by Deepak Parekh, aims to help young families acquire a house and to increase the stock of housing in the country.

A typical client of HDFC is an urban household with a combined income of Rs3,000 to 5000 a month. Because land prices [illegible] so high in [illegible] ratio of [illegible] prices [illegible] is 10:1 as compared with 4:1 in most western economies.

India's [illegible] of housing [illegible] been in large part due to government policies since independence. These have channelled household savings into so called "priority" – from agriculture to steel [illegible] still maintained [illegible] the Indian government, housing is not treated [illegible] a priority.

HDFC at its outset ran [illegible] problems unfamiliar to building [illegible] banks in [illegible] west. One [illegible] India buyers and sellers

HDFC has a only a marginal proportion of borrowers who default on payments

of a house do [illegible] full [illegible] the [illegible] as purchasers are expected [illegible] pay part of the [illegible] in "[illegible]" *money*.

HDFC normally [illegible] up to 90 [illegible] agreement price which [illegible] on average about two-thirds [illegible] real price. Sceptics doubted whether HDFC would be [illegible] and principal repayments [illegible] the recovery [illegible] of nationalised banks on [illegible] loans is so [illegible]

Loan default was implicitly encouraged by the government last year when it waived some Rs40bn in farmers' debts. But HDFC has a only a marginal proportion of borrowers who default on payments. Only 0.03 per [illegible] of clients [illegible] than [illegible] in their debt repayments.

He says that loan officers are encouraged to work with families to find ways of making payments in times of difficulty – such as during an industrial strike.

HDFC [illegible] until recently [illegible] a third of its resources from foreign currency loans – including borrowings from the World Bank and a loan guarantee from US Aid for a borrowing on the US capital markets.

The rest has come from term deposits and loans from the financial institutions. In sharp contrast to Britain, where 50 per cent of cash assets are in building societies, Indian housing institutions are forbidden by law from taking deposits of less than 24 months maturity.

This year, however, HDFC is finding resources difficult to raise and more costly. The halt that India's foreign exchange crisis has imposed on borrowings abroad by Indian institutions has robbed it of this source of funds. Domestically it has been hit by the credit squeeze. Thus its average cost of funds has risen from 12.5 to 13 per cent a year ago to 14.5 to 15 per cent.

The immediate effect of this has been to put its margins under strains. It fears the burden on families if it passed on the entire cost of interest rate increases. HDFC has now taken the initiative in co-ordinating new housing finance schemes with other countries in Asia. The emphasis is on drawing in low-income households.

David Housego
New Delhi

LENDING INSTITUTIONS

Legacy of the past a burden

BANKS have not been the principal source for longer-term finance in India. This role [illegible] been left to specialised development finance institutions operating [illegible] and federal level.

Though these were [illegible] ful in channelling long-term funds to industry, their lack of competition with each [illegible] and their lending [illegible] concerns, which have run into financial troubles, have brought upon them similar [illegible] to those of the banks.

At the same time, there are facing increased competition from the banks and the capital markets.

If the government-appointed committee considering reforms of [illegible] financial [illegible] upon a radical overhaul, it would include a shake-up of the term lending institutions. The chairmen of the two largest – the Industrial Development Bank of India (IDBI) and [illegible] Industrial [illegible] and Investment Corporation of [illegible] (ICICI) – are members of the committee.

The third big institution is the Industrial Finance Corporation of India, while the Industrial Reconstruction Bank of India concentrates on what are known [illegible] India as "sick" industries. In practice, however, the financial institutions are [illegible] interlocking network, with IDBI having shareholdings in several of the [illegible] institutions as well as in [illegible] providing term finance.

Moreover, [illegible] country's main shareholding institutions, also state-run – Unit Trust of India, Life Insurance Company and General Insurance Corporation of India – are closely involved as purchasers of the debt of the institutions.

Although the institutions have a reputation as innova-[illegible] are looking forward [illegible] India's [illegible] liberalised [illegible] omy with a degree of dynamism – assessing the prospects for new markets such as merchant banking – they are saddled with the legacy of their past.

Their lending policy has been monolithic. Loans have [illegible] arranged through consortia, with no question of competition for business. They have used the same procedures, [illegible] have not conducted analysis of projects independently of each other.

Recently, however, the start of deregulation of interest rates, with the government [illegible] lending rate", [illegible] introducing more competition into the raising of funds by the institutions themselves, [illegible] begun to usher in a new [illegible].

They also [illegible] to relax [illegible] hold on [illegible] because they [illegible] can put directors on to the boards of companies they finance.

Any restructuring, however, will have to deal with the large proportions of their loans out to sick industries in the public sector. Bankers believe that the institutions' profitability is likely to decline further – although [illegible] fatally – [illegible] result of these.

For the private sector, [illegible] Board for Industrial and Financial [illegible] is charged with rehabilitating or closing troubled companies (although it operates under severe constraints because it can only step in when a company's net worth is completely eroded). However, the government has yet to formulate a so-called "exit" policy for public sector companies to determine the conditions in which they should [illegible] closed [illegible].

Government policy, principally the [illegible] of jobs, has tended to prevent measures which would allow sick companies to adjust themselves or to close. It has also provided an incentive to companies to exaggerate their problems and to refrain from tackling them.

A new "exit" policy will be of crucial importance to the lending institutions who have financed these industries and could well determine their longer-term future.

Alexander Nicoll

Capital markets face criticism

Regulation a tough task for the board

THERE are not many stock markets of which the leading regulator would say of investments in shares: "Entry, holding and exit are all hazards in this market." This is the frank admission of Mr G V Ramakrishna, chairman of the Securities and Exchange Board of India.

The SEBI was formed three years ago as part of a drive to simplify and strengthen regulation of India's large capital markets. However, it remains virtually [illegible] until a bill, now before parliament, [illegible] passed to give it statutory regulatory [illegible] as well as responsibilities now held by several [illegible] bodies.

It will have a big task. There is a wide gap between the efficient, fair, modern and national trading mechanisms which leading practitioners [illegible] in the future and Indian markets as they exist today. It will be especially important to have sound capital markets as the government seeks a more competitive economy under its reform plans.

India's established stockbroking community, faced by widespread criticisms of its practices, is seeking to improve and modernise them. However, it may be too late. A government-appointed committee, headed by Mr M J Pherwani, former chairman of [illegible] huge Unit Trust [illegible] India, has [illegible]mended a completely [illegible]vamped [illegible] market [illegible] and a new [illegible] exchange in Bombay.

Because of an [illegible] political situation and delays in authorisation by [illegible] troller [illegible] Capital Issues, new [illegible] of equity and convertible bonds fell sharply in the last financial year. However, large companies such as the Reliance and Tata groups can still raise substantial amounts of money.

The country's principal markets are its 19 stock exchanges, of which Bombay is by far the largest, accounting for 65 to 70 per cent of business. Although government [illegible] the largest amount of [illegible] issued, [illegible] little trading in them. However, [illegible] trading of shares, and this [illegible] has been particularly buoyant with the market rising sharply, often moving [illegible] international trends.

Mr Hamendra Kothari, president [illegible] the Bombay Stock Exchange, [illegible] the market is [illegible] a long-term [illegible] prospects [illegible] India's private sector in a more decontrolled economy, even though growth in corporate profits is expected to decline this year.

Institutions such as government-run mutual funds – private mutual funds are planned but not yet allowed – are extremely liquid, and supply of new issues has been limited. However, some bankers believe Indian industry could face a tougher environment when the country's high tariff barriers come down – a process expected to begin next year.

It is clear that there is a strong speculative element in the markets. The Bombay exchange recently increased its levels of margin – down-payments as security – to 40 per cent of the value of transactions in active stocks, from 25 per cent previously. About 90 per cent of trades are carried forward from one settlement period to another and do not result in delivery.

While Bombay dealers engage in this frenetic activity, investors and issuing companies are unhappy. Mr Ramakrishna says the SEBI receives about 500 complaints per day. These are some of the market's inadequacies:

- Liquidity is poor. An inadequately capitalised jobbing system creates erratic bid/offered spreads.
- New issues are absurdly underpriced – the government sets them. This creates a speculative rush and multiple applications. Prospectuses may tell less than the whole truth.
- Insider trading is rife. Mr Kothari admits that the concept is not well understood. Corporate disclosure standards are weak.
- All systems are inadequate. The Bombay exchange trades for only two hours a day four or five days a week, but cannot keep trade processing and settlement up-to-date. There are mis-matches – disagreements on the details of trades – on 30 to 40 per cent of reported trades. Reported prices and volumes are unreliable. The market [illegible] fragmented [illegible] inadequate links between exchanges.
- Delivery of shares is woefully bad. Companies can delay transfer of shares to new owners as a means of manipulating prices.

The Bombay exchange has begun to tackle these problems with a plan to upgrade [illegible]nology, introducing screen-based trading for less [illegible] stocks, leaving [illegible] stocks for open [illegible] trading.

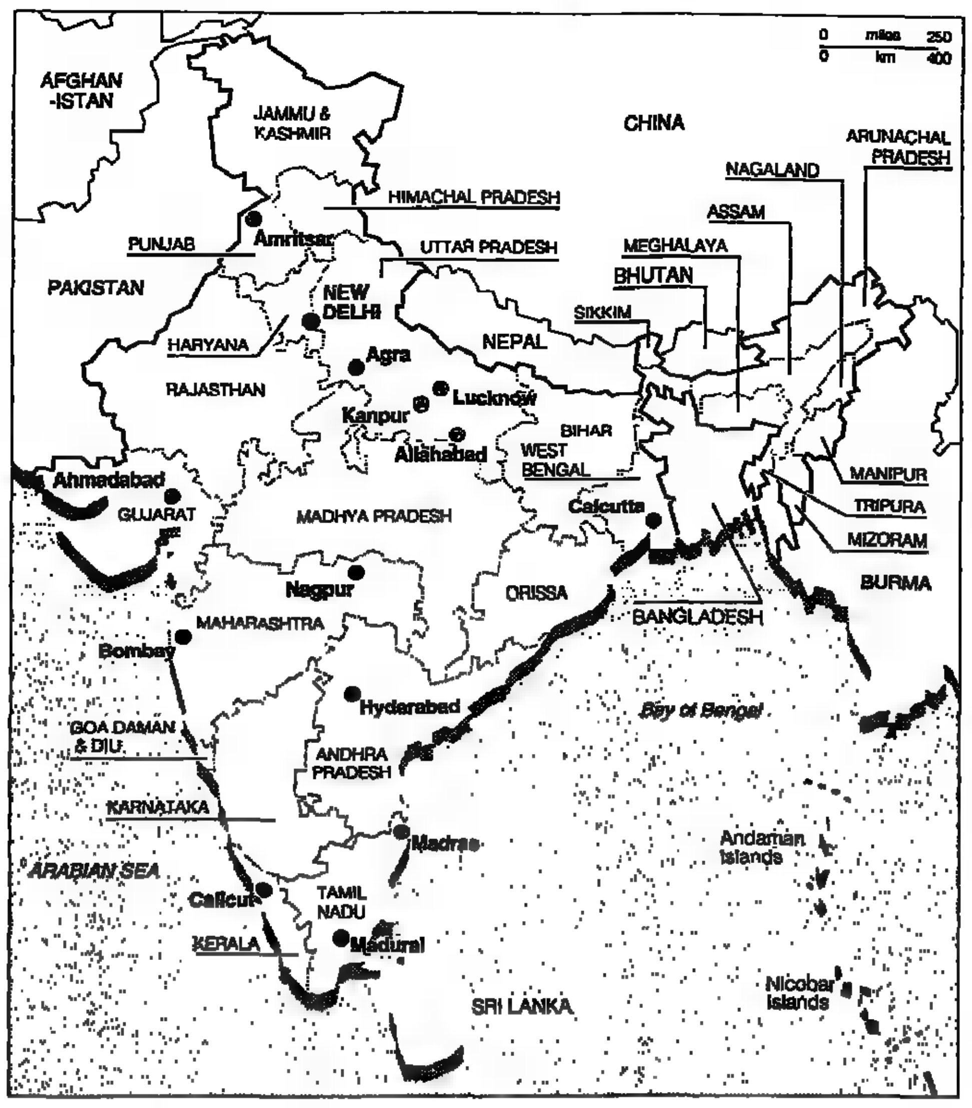
Meanwhile, [illegible] momentum has built [illegible] behind [illegible] recommendations [illegible] Pherwani's committee, which include a second [illegible] exchange in [illegible] provocatively [illegible] the National Stock Exchange. The committee proposes an integrated national stock [illegible] system creating much [illegible] links between exchanges through [illegible] systems and telecommunications.

The [illegible] Bombay exchange would [illegible] initially in bonds and medium-sized stocks, to which the [illegible] the existing exchange [illegible] paid no attention. Mr Pherwani's public posture [illegible] this would complement the present exchange, but the proposal has clearly been interpreted as a threat. The Bombay exchange feels that an alternative stock exchange would confuse investors, particularly [illegible] and weaken the liquidity of each market.

Whoever wins [illegible] will undoubtedly have, in [illegible] under a [illegible] system [illegible] regulation [illegible] the SEBI [illegible] on [illegible] powers. Although [illegible] an self-regulatory system along [illegible] London's structure, [illegible] self-regulatory [illegible] by SEBI [illegible] an umbrella, some aspects will be statutory, such as a takeover [illegible] Mr [illegible] believes that the market lacks the self-discipline for voluntary code.

The capital markets [illegible] therefore be one of the few sectors to [illegible] tougher regulation, though without too much cumbersome bureaucracy, amid the new liberal atmosphere. Mr Ramakrishna says: "There is call for a great deal of liberalisation in some areas, but there is also call for more meaningful protection of the investor in other areas."

Alexander Nicoll



Industry pundits see reforms as limited in scope

Government tentatively tackles the public sector

SUCCESSIVE Indian governments have dodged taking the tough decisions needed to improve the performance of India's gargantuan public sector. Prime Minister Narasimha Rao's administration has announced its commitment to reform – but approaches its prey with the nervousness of a gamekeeper who fears that he could be swallowed live.

The government has already said that it will sell up to 20 per cent of the equity of selected public companies to state owned mutual funds – and possibly to the public. Mr M Khanna Reddy, the finance director of Hindustan Machine Tools (HMT), the state owned machine tools manufacturer that also makes watches, says that in management terms "by giving up to 20 per cent of the shares there will be absolutely no change".

In certain limited areas such as hotels, the government is planning to shed its holdings. The Indian Tourism Development Corporation (ITDC) is having its chain of about 24 hotels valued with a view to seeking foreign partners who could both take an equity stake and manage the hotels.

On the two key issues of providing more autonomy to public sector managers, and of allowing cuts in the labour force and closures in the state-owned sector, there has been more rhetoric than action.

Dr Manmohan Singh, the finance minister, announced in his budget that the government would set up a fund to provide a safety net to finance early retirement. He said that contributions would be sought from public sector units, state governments and private industry. But as yet there has been little follow-up.

The Indian public sector overshadows the Indian economy. On the widest definition – including railways, power, telecommunications, [illegible] and industrial enterprises owned by central and [illegible] governments – it accounts for half of India's fixed capital investment and two thirds of the value added in the "organised" sector of the economy.

Returns on capital and profitability have been low by comparison with the private sector. In 1990-1991, [illegible] private sector profits rose sharply, the public sector's net profits dropped by 37.8 per cent, according to the report of the Department of Public Enterprises.

Although the government this [illegible] has cut public sector investment [illegible] of budget restraints, the government will still have to provide the public sector with Rs68bn.

A World Bank report published in 1988 estimated that overmanning in the public sector was between 235,000 and 300,000. Many people think this figure is conservative and that in some areas overmanning could account for 40 per cent of the labour force.

Public sector losses and inefficiencies are not only a drain on the budget and push up interest rates on the capital market. They are also passed through the economy in terms of higher costs, often poorer quality products and in delays in delivery.

There [illegible], however, wide differences between the public sector enterprises. The biggest losses have been concentrated in coal, steel, heavy engineering, fertilisers, shipyards and textiles. The most profitable companies have been the Oil and Natural Commission (ONGC) and Oil Corporation of India which benefit from a virtual monopoly. ONGC, how[illegible] has come under criticism this year for bad mangement of wells and for allowing oil exploration to slip.

A number of public sector enterprises have a reputation for good management. They include Indian Petrochemicals Corporation (IPCL), HMT, Bharat Electronics (BEL), Bharat Earth Movers, the National Thermal Power Corporation (NTPC) and Maruti, the [illegible] manufacturer.

Public sector corporations also operate with [illegible] and constrain[illegible] that deter improvements. They have to seek government approval for investments and even for such expenditures as the chairman travelling abroad.

Like government departments, they are subject to inspection by the Auditor General's department. His concern [illegible] more on detecting waste and misappropriation of government funds than [illegible] financial performance. Public sector units have been judged by the Supreme Court to be an instrument of the [illegible] under the constitution. They thus face threats of prosecution for violating an individual's fundamental rights – for instance, by allocating a car out of turn.

They benefit on the other hand from purchasing and procurement privileges over the private sector in tendering for contracts from government departments.

The perceived wisdom among politicians and technocrats in Delhi is that public sector reform can be carried through without privatisation. Mr R C Bhargava, managing director of Maruti, disagrees. He says: "The only answer is privatisation. With the constitution and laws that we have it is not possible for the government to [illegible]tance [illegible] [from public sector companies]. Thus efficient management is not possible."

Mr Bhargava has said that he wants Maruti, in which Suzuki of Japan has [illegible] 40 per cent state, to have a majority private shareholding.

State owned industries are still unclear what the government intends to do with the public [illegible] how the measures already announced will affect them. Over recent years they have learnt [illegible] depend less on the government for funds and more on their own reserves and the borrowings they can make in the capital [illegible]

Many have already felt the first stirrings of competition as the private sector has been allowed to compete in areas that were before reserved [illegible] public sector companies.

But most loss making units will have little chance of returning to profitability until they can reduce their labour force. The test of public sector reform will be the government's "exit" policy – and thus the attitude it takes towards redundancies and closures.

David Housego

Gita Piramal *looks at the new industrial policy*

Change sweeps in

SOMETIMES the expected becomes the unexpected. Before the P V [illegible] Rao administration announced the new industrial policy (NIP) on July [illegible] this [illegible], [illegible] people presumed it would [illegible] radical. None foresaw just how revolutionary it would be.

At one stroke, [illegible] 10-page document delicenced, deregulated and decontrolled [illegible] chunks [illegible] economy. [illegible]tions were extreme. Professor Madhu Dandavate, former Janata Dal finance minister, immediately disparaged the NIP's "fire brigade approach". The confederation of engineering industry [illegible] it "outstanding".

Boldly breaking away from the traditional Nehruvian brand of socialism, [illegible] NIP clearly enunciated [illegible] of eight objectives which [illegible] basic [illegible]. Firstly, [illegible] entrepreneurship [illegible] usher in new technologies, the government [illegible] dismantle "redundant [illegible] controls", develop [illegible] capital markets, and abolish monopolies.

Secondly, [illegible] Indian [illegible] needed [illegible] be integrated with the rest of the world. So instead [illegible] "permitting" foreign investment, India [illegible] "welcome" it in [illegible] hope that it would "bring better [illegible]ogy, expand production and help [illegible] exports".

Fifty days after the event, doubts ha[illegible] begun [illegible] creep in. Mr J R D Tata, chairman Emeritus [illegible] house, recently warned fellow businessmen that now "the private [illegible] will [illegible] to do [illegible] considerable amount of self-policing, learn to [illegible] with [illegible] perils [illegible] competition and deny [illegible] the joys [illegible] protected market." Pampered for [illegible] past four [illegible] from the private, public and co-operative [illegible] reluctant to heed Mr [illegible].

They [illegible] chipping [illegible] at [illegible] NIP's [illegible] and with [illegible]. In order [illegible] protect its own turf, [illegible] politically well-con[illegible] that [illegible] petrochemicals [illegible]. Despite [illegible] broad-banding principle, Telco, [illegible] truck [illegible] is blocked from making passenger [illegible].

The milk co-operatives [illegible] upset that big business [illegible] into this [illegible]. [illegible] opposition from politicians, bureaucrats [illegible] is [illegible] multiplying. Politicians, by and large, neither understand [illegible] NIP's implications, [illegible].

The bureaucracy [illegible] like [illegible] NIP [illegible] it will reduce [illegible] discretionary powers which [illegible] find [illegible] profitable. [illegible] in [illegible] not want the NIP [illegible] they are frightened that [illegible] winds of competition [illegible] jobs [illegible].

"I only hope that [illegible] will [illegible] put pressure on [illegible] government [illegible] dilute implementation," [illegible] Srichand P Hindujya, [illegible] of the $2.1bn Hindujya [illegible] which [illegible] in construction, film and engineering.

Commitment [illegible] to [illegible] tiny core of [illegible] bureaucrats [illegible] spear-heading [illegible]. [illegible] a [illegible] key [illegible] the [illegible] might [illegible] against [illegible] liberalisation movement, [illegible] core group is working [illegible] to [illegible] the NIP irreversible.

[illegible] knots [illegible] tape are being sliced, [illegible] procedures simplified and laws brought into line with reality [illegible] breath-taking haste. A record number of rules and regulations [illegible] already [illegible].

Entrepreneurs no longer need cabinet approval for projects. [illegible] are simpler. There [illegible] takeover code, [illegible] small scale industries policy [illegible] new telecom strat[illegible]. Bottleneck [illegible] such [illegible] the director general of technical development, [illegible] con[illegible] of imports [illegible] exports, the export inspection agency and the state trading corpora[illegible] are [illegible] being abolished or reduced [illegible] importance.

Capital [illegible] reforms are being energetically [illegible] role of the controller of capital issues. [illegible] sharply clipped [illegible] proposal is passed [illegible] companies [illegible] longer need [illegible] approvals for issues under [illegible].

[illegible] widely expected that pivotal [illegible] such [illegible] those governing foreign investments (FERA) and monopolies [illegible] well [illegible] the companies act will be amended shortly. By correcting these Frankensteins, the government will simultaneously force healthy competition [illegible] reduce corruption among the bureaucracy.

Even if all goes as planned, questions [illegible]. Will businessmen respond to the new opportunities? Can the NIP make India globally competitive? Are multinationals truly *welcome or is this just dust for* World Bank and IMF eyes? What will corporate India look like after [illegible] years? [illegible] long-term looks just as optimistic [illegible] the short-term appears pessimistic.

The liberalisation program is radical. It will take three – possibly more – years before the benefits are visible. Until then, most economists predict inflation and social unrest, although the good monsoon is a redeeming feature.

Clearly, the NIP will quicken the pace of industrial growth, as past experience shows. The [illegible] of the 1980s [illegible] amazing [illegible]sumer [illegible] fuelled a 10 per [illegible] growth rate.

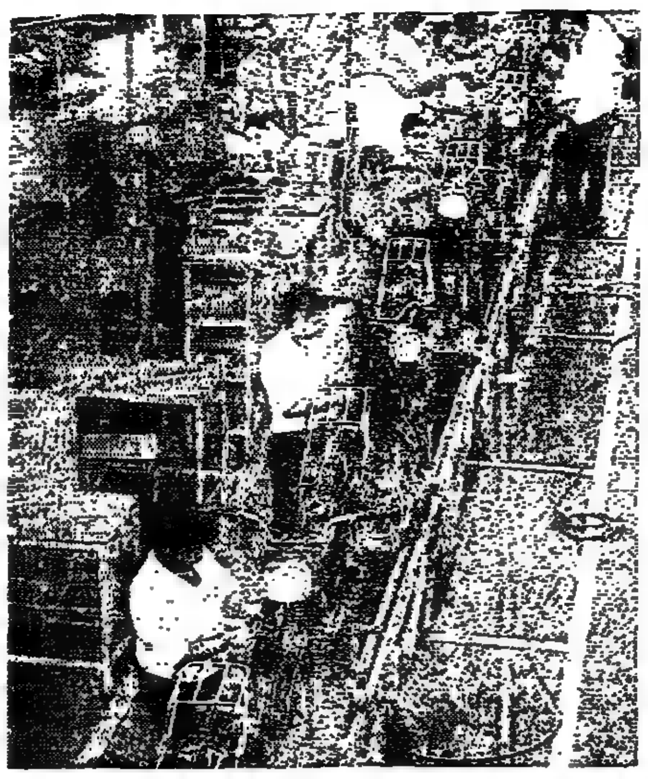
The [illegible] bigger impact, [illegible] immediately. As Mr N Vaghul, [illegible] of the industrial credit [illegible] corporation [illegible] India, points out: "The high [illegible] capital investment".

[illegible] 21 [illegible] cent and above, [illegible] viability of any projects starting today [illegible] uncertain. [illegible] holding [illegible] on new investment. [illegible] they [illegible] come down.

Inevitably corporate [illegible] look quite [illegible]. The composition of [illegible] big [illegible] houses will change significantly as operational efficiency, marketing [illegible] other managerial inputs become more important than political connections.

As competition increases, analysts predict [illegible] takeovers [illegible] in [illegible] West. The quality of Indian products [illegible] expected [illegible] improve dramatically although it [illegible] not directly [illegible] India becoming [illegible] global operator.

Nonetheless, "companies [illegible] export will [illegible] far better than [illegible] which are basically geared [illegible] import-substitution" says Dr [illegible] Mehta, economic adviser to [illegible] group. [illegible] this, it is [illegible] that [illegible] liberalisation is today a juggernaut [illegible] is impossible to stop. Mr Singh is more than half-way to fulfilling his dream of going [illegible] in history [illegible] the man who uncaged the Indian tiger.



Factory [illegible] The labour [illegible] job [illegible]

Few possess the cash to set up a steel plant

Freedom has a price

THE [illegible] reality of corporate life in India is that the moment the government levels the industrial playing field by removing controls, businessmen suddenly *realise* that they do not, in fact, like free and [illegible] competition.

This [illegible] point [illegible] becoming increasingly visible in almost every sphere of economic activity, particularly in the steel sector. "Liberalisation is good – but not in my business," is the refrain suddenly being sung by Indian captains [illegible] industry.

In Dr Manmohan Singh's brave new world, anyone may now promote [illegible] integrated steel plant. On July 24, 1991, [illegible] new industrial policy [illegible] a 41-year-old tradition reserving [illegible] for the public sector.

In January, the government received 49 applications from the private sector, all clamouring to expand into steel. After July, there was a sudden, curious silence. By August, almost half had [illegible] off abruptly once the ability to raise large sums of money [illegible] more important than the cornering of a licence.

[illegible], [illegible] all remaining [illegible] applications take [illegible] shape, India could [illegible] an incredible 20m tonnes per annum (mtpa) of [illegible] capacity, easing the existing famine considerably.

During [illegible], India produced 13.4mtpa of steel and imported 1.5mtpa. Per capita consumption is [illegible] but is supply-determined rather than demand-determined. If iron and steel were freely available, demand would shoot up. According to the planning commission, the demand for [illegible] steel will exceed 19mtpa by [illegible].

The price tag for the projected capacity is [illegible]. However, it is unlikely that local entrepreneurs will be able to raise this kind of money. One consequence of 40 years of tight government controls is [illegible] few Indian business groups possess the financial muscle which large industrial complexes need.

For example, the cost of a 1mtpa crude steel plant is roughly Rs35bn at today's post-devaluation prices. [illegible] men will thus need [illegible] resources to provide for their equity contribution as well as a glamorous reputation [illegible] investors to attract support for a long-gestation project.

The magic mix should also include the ability to raise foreign funds and tough managerial competence and to be able to build an entire township round a plant located in a possibly remote part of India efficiently and cost-effectively.

The Bombay-based Tata group, India's [illegible] house, is perhaps the only one to possess all these attributes.

The highly diversified 78-company group runs the only privately-held [illegible] company in the country, Tata Steel, which is currently expanding its existing 2.32mtpa capacity to 3mtpa.

It is one of the few Indian [illegible] houses known outside the country. It as a strong management [illegible] and is financially well-stacked. Additionally, Mr Russi Mody, Tata Steel's chairman, is confident that some member companies will pitch in to help him.

All these traits will play a crucial [illegible] if, as is widely expected, Tata Steel's proposal for a Rs15bn, 1mtpa integrated steel plant at Daitari in the state of Orissa is accepted.

Of the remaining 20 or so entrepreneurs who also have dreams of steel, four stand [illegible] fighting chance:

● The Essar group. *Last February*, it successfully outbid the [illegible] majors for a Rs20bn 1mtpa crude steel project at Vijayanagar in Karnataka.

The group's plus points are managerial competence (it operates [illegible] iron plant in India), its proven ability to raise large amounts from the capital markets and [illegible] political connections. It is also a nimble head-hunter and has already drawn the [illegible] of Bhilai Steel into the Vijaynagar project.

But it is a relatively small group with [illegible] of only Rs50bn and has over-sized ambitions. [illegible] significantly [illegible] the rupee's [illegible] and inflation. "We are re-assessing the project's cost," admits Mr Ravi K Ruia, the group's director. Coal linkages could be another source of anxiety.

● Mukand. Operating India's [illegible] arc furnace complex, it wants to integrate backwards through a Rs20bn 1mtpa crude steel plant in Madhya Pradesh.

Managerially competent and with the right political connections, Mukand could probably make a [illegible] domestic mega-issue and be able (with some difficulty) to put [illegible] the promoter's equity.

Nevertheless, Mukand will have to turn to Bajaj Auto (BA), a sister concern and a scooter manufacturer, for financial help.

Exactly how much help Mukand will get is uncertain. Mr Rahul Bajaj, BA's chairman, is guarded. "As a Bajaj group company, Mukand's expansion plans will have support, but it is premature to talk about the kind of support that may be required," he says.

● Grasim. Mr Aditya Birla's flagship, is proposing a 1mtpa steel plant at Maharashtra.

The project has several strong points. Mr Birla has wide experience of erecting large industrial complexes in a timely and cost-effective manner.

The group enjoys excellent political connections, is cash-rich and can easily raise funds both locally and internationally. It is already running a highly-profitable aluminium company and is in the [illegible] of setting up a [illegible] iron unit.

The problem is one of [illegible]. Most [illegible] companies are busy expanding their existing businesses. Grasim, which is, India's second biggest business house has also drawn up ambitious blueprints for a total investment of over Rs50bn. Over the next couple of years, the steel plant will have to compete for the management's attention with projects such as an oil refinery, a power plant and new tyre, cement and aluminium facilities.

● Mahindra Ugine. Already operating one of the most efficient special steel companies in India, the move into crude steel in Maharashtra will be one of backward integration for the group.

Key factors in its favour are engineering experience and a high quality of corporate culture. In common with Mukand, the Mahindra group may find it difficult to raise the promoter's contribution. Unlike Mukand however, it appears that the entire group is backing the project.

One crucial difference between the Mahindra proposal and the others is that the group plans to bring in a foreign collaborator. "We hope that whoever it is will provide a substantial chunk of the project's equity," says Mr Anand Mahindra, who holds key positions in the Rs15bn group's two biggest companies.

Clearly, India will increase her steel capacity over the next few years. Equally evident is that government go-aheads are no longer licences to print money as they used to be. Would-be steel barons will need to develop an alloy of entrepreneurial dynamism with a way of tapping into large resources before they can succeed.

Gita Piramal
Bombay

ANYBODY who doubts that Indian industry can manufacture products at a cost and quality to match South East Asia should ask to visit the Titan watch factory east of Bangalore.

Titan, a subsidiary of the Tata group, went into production four years ago. Its US$50m plant – stone built amid a carefully landscaped tropical garden – is an integrated unit where precision engineers make all parts of a watch from movements to casings from Titan's own [illegible]

The pieces are put together in an assembly shop that is as dust free and clean as a laboratory. The average age of the work force – all recruited from local village schools after aptitude and attitude tests – is 22.

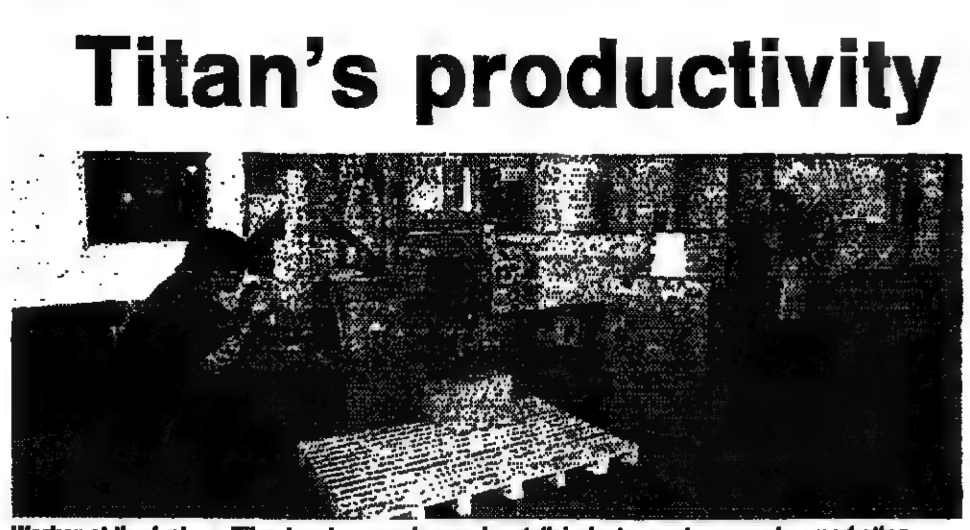
Mr Xerxes Desai, the founder and managing director of Titan, claims: "We have the competitive advantage of low labour costs and of productivity levels comparable to anything in the world."

Titan is still a minnow by world standards producing 3m watches a year as compared with the 178m movements manufactured by Citizen, the Japanese manufacturer and the largest watch company in the world.

But in four years it has captured over 60 per cent of the

Watchmaker has captured a large chunk of the domestic market

Titan's productivity rising



Worker at the factory: Titan has become known by stylish design and aggressive marketing

Indian market for domestically produced quartz watches. It has also made a name for itself by stylish design and aggressive marketing to an Indian middle class hungry for more fashionable products.

Titan was set up as a joint venture [illegible] the Tata group and the Tamil Nadu government to take advantage of the lock of competition in the Indian watch market. The only large producer when the project was conceived was HMT, the state-owned machine tools company also based in Bangalore. They produced functional time pieces rather than fashion products.

[illegible] that [illegible] watches [illegible] in a [illegible] in [illegible] – a [illegible] growing annually by [illegible]. But half [illegible] are smuggled [illegible] country. [illegible] import of [illegible] the [illegible] country – most often Citizen – and backyard shops make the casings.

Titan, which now produces 80 models ranging from gold plated presentation pieces to [illegible] after [illegible] watches, [illegible] pushed out the smuggled watches in the middle class price bracket of Rs500-1500. "The reason why we succeed in India," says Mr Desai "is that the Indian consumer will pay a slightly higher price for a reliable product from what he knows to be a reliable shop".

Titan, building on the Tata's image of reliability, has established its own chain of watch shops which also sell other fashion items such as jewellery. Smuggled watches – as well as other brands – are often sold by watch repairers in back-street shops.

Titan's growth reflects both the frustrations that have long beset the creation of a company in India and the opportunities that are emerging with liberalisation.

Mr Desai began his quest to establish a watch company as long ago as 1977. For many years, Tata, one of the biggest Indian conglomerates, was told that this was a sector reserved for small scale industry. It was not until Mr Rajiv Gandhi's liberalisation measures of 1985 [illegible] go-ahead.

[illegible] new government's recent deregula[illegible] measures will force [illegible] components and capital equipment supply [illegible] formally determined by licencing regulations. Until recently it was [illegible] to buy printed circuit boards from a [illegible] semi-conductor plant in the Punjab with a poor reputation [illegible] deliveries and reliability.

Exports – expected to build up to 500,000 movements a year in [illegible] – [illegible] still a relatively small part [illegible] Titan's [illegible] higher than those in Hong [illegible] Japan [illegible] it suffers from a 60-80 per cent customs duty on imported capital equipment. Mr Desai shifts this cost differential to the watches he sells in the domestic market.

"All government interven[illegible] which [illegible] to higher [illegible] I [illegible] to the [illegible] market," he says. He sees exports, however, as an important part of his strategy.

"In terms of the corporation's objectives, we want to be a major player in the world watch market. This is a beginning."

Titan expects to see its production climb to 10m in the next few years. It plans to standardise parts to achieve higher volumes. It is also widening its range through a a new joint ventures with Timex of the US by which it will make plastic movements.

David Housego

David Housego finds the electronics group reviewing its strategy

BEL hit by defence cuts

BHARAT ELECTRONICS (BEL), the diversified electronics group with the reputation of being one of India's better managed public sector companies, is in an introspective mood.

Government spending on defence – which accounts for 57 per cent of BEL's turnover – has been falling. Expenditure cuts and increased excise duties have also hit sales of telecommunications and broadcasting equipment, and of electronic components – all important markets for BEL.

Capital spending this year is half as high as in recent years because credit is tight and the government has temporarily banned the import of capital plant from abroad. Also, as a result of the foreign exchange shortage, BEL can only obtain 40 to 50 per cent of the imports of raw materials and components that it requires. Imported parts are normally the equivalent of 25 per cent of turnover which in 1990-91 reached Rs7.2bn.

Mr P D Modak, the newly appointed chairman of the group whose headquarters are at Bangalore, believes in making the best of the difficult situation. He [illegible] problems as "an opportunity more than a threat.

They will force us to rely [illegible] our own resources. It is better that we don't have soft options any more." Mr Modak has thus embarked on a review of BEL's corporate strategy designed to

> **BEL is a conglomerate that now finds itself in too many products and too many sectors**

take advantage of the openings provided by industrial deregulation.

BEL is a conglomerate that now finds itself in too many products and too many sectors. This is a reflection of its role which was originally conceived as one of making India as self reliant as possible in defence electronics and in communica[illegible] equipment. BEL [illegible] up in [illegible] expanded after India's war with China in 1962.

It [illegible] produces [illegible] civil and military use, weapons guidance systems, microwave transmitters, TV studio equipment, satellite stations, antennae, television tubes and a wide range of components. A recent venture was the manu[illegible] voting [illegible] by the [illegible] government [illegible] up leaving [illegible] assembly line idle.

The large growth of turnover in the [illegible] 10 [illegible] been matched by a similar rise in profitability. Profit before tax [illegible] a percentage of [illegible] dropped from 15.7 per cent in 1981 to 6.1 per cent in 1990-91. The company says this [illegible] in part because defence sales as a proportion of turnover also dropped from 65 per cent at the beginning of the 1980s.

Mr Modak says that "obviously defence is the most profitable" part of the business. He says orders are hard to obtain but margins are better and sales less volatile than in the civilian sector.

Another legacy of the past for a public sector company that finds great difficulty in shedding labour is that the age of the work force is high. At Bangalore – the oldest and largest plant in the group – the average age of the 12,000 employees is over 40.

Mr Modak wants defence to remain BEL's biggest market accounting for 50 per cent of its business. He says this is the government's [illegible] – [illegible] defence [illegible] it would [illegible] eligible for privatisation. Many bankers [illegible], however, [illegible] BEL is [illegible] of the companies in which [illegible] public [illegible] minority [illegible].

Mr Modak wants to regroup BEL into divisions that would reflect its main business interests. Though he does not admit publicly to [illegible] possibility [illegible] the state's equity capital being diluted, [illegible] BEL to be [illegible] in [illegible] joint [illegible]

> **'The challenges ahead are technological rather than financial or organisational'**

foreign companies. His biggest proviso is that such [illegible] should [illegible] advantages for BEL in backward integration. Among areas he would like to expand in are [illegible] (integrated circuit) man[illegible] and medical equipment.

Currently BEL's exports are small – only Rs330m. But Mr Modak sees the need to [illegible] them, [illegible] only [illegible] scrips (instrument linking availability of imports [illegible] exports) [illegible] import of compo[illegible] will [illegible] closely [illegible] exports. Mr Modak [illegible] would [illegible] BEL doing [illegible] component and sub-assembly manufacture for foreign defence producers, thus taking advantage of India's lower labour costs. The group recently signed a joint venture to produce image intensifiers for Oldelft.

Mr Modak has spent much of his career at BEL in research and development work. He sees the challenges ahead as more technological than financial or organisational. To any defence electronics group, the Gulf war provided a jolt [illegible] possi[illegible] of precision guided [illegible] Mr [illegible] expand [illegible] work.

[illegible] foreign exchange squeeze likely to [illegible] purchases by the Indian [illegible] of foreign equipment, he [illegible] increased opportunities [illegible] BEL [illegible] a domestic supplier if it [illegible] develop [illegible] right products.

David Housego

PROFILE: P CHIDAMBARAM

Minister keen to see import curbs relaxed

Mr P Chidambaram, [illegible] minister of commerce, [illegible] that cutting tariff levels to an [illegible] of 30 per cent would be a desirable objective for India.

For a country [illegible] one of [illegible] highest tariff levels in [illegible] world – [illegible] weighted tariff is over 112 per cent – such a reduction [illegible] mark a radical [illegible] in policy.

But Mr Chidambaram [illegible]

> **'The main problem is not the [illegible] of revenue from customs duties but the foreign exchange shortage'**

[illegible] caution. "That [illegible] be desirable (a 30 per cent tar[illegible] level). But [illegible] it would [illegible] in the medium term [illegible] something we [illegible] wait and see."

He [illegible] main problem is not the [illegible] from [illegible] but [illegible] foreign exchange shortage. "If we allow large imports of capital goods [illegible] would mean a [illegible] drain [illegible] foreign exchange."

A lawyer from the [illegible] Tamil Nadu, Mr Chidambaram [illegible] junior minister in [illegible] Congress government [illegible] Gandhi. [illegible] prime minister, [illegible] in drawing up [illegible] package of [illegible] reforms [illegible] into [illegible] Congress party manifesto.

When prime minister P V Narasimha Rao formed his government he was angry that he was not given a post in the [illegible] – [illegible] his [illegible] show. Since then, however, [illegible] been [illegible] with presenting [illegible] government's [illegible] package.

Aged 46, [illegible] is self-assured, [illegible] ambitious. [illegible] his popularity in [illegible] native Tamil [illegible] ing [illegible] the government [illegible] perceived [illegible] supporting the neighbouring state of Karnataka in the dispute [illegible] the division of the waters from [illegible] Cauvery river. [illegible] result of this dispute his car was stoned when [illegible] on a recent visit to the state and he [illegible] injured.

[illegible] minister of commerce he has had responsibility [illegible] the partial delicencing [illegible] imports, the introduction of eximscrips – the new instrument that links [illegible] of imports [illegible] the growth of exports – and to new incentives for export zones.

[illegible] biggest blow [illegible] his policy [illegible] tariff and import liberalisation has [illegible] the unexpected drop in [illegible] for the first quarter of this financial year.

Exports fell [illegible] per [illegible] in dollar [illegible] in [illegible] April-June period [illegible] against [illegible] same period [illegible] year – [illegible] reducing foreign exchange receipts. Understandably, [illegible] blamed this on his controversial predecessor, Dr Subramanian Swamy. Both by [illegible] at Harvard.

Officials [illegible] drop in exports [illegible] mostly [illegible] exceptional [illegible] on imports imposed [illegible] prevent India defaulting on [illegible] of its foreign debt. They expect exports over the current [illegible] by a still disappointing [illegible] per cent in dollar terms – hopefully [illegible] to 18 per [illegible] next year.

Mr Chidambaram has been campaigning hard to get the import curbs removed [illegible] export industries.

Mr Chidambaram believes

> **'The government will move rapidly to remove obstacles that have blocked foreign investment proposals'**

[illegible] a result of [illegible] measures foreign investment will pick-up. He says [illegible] government will [illegible] rapidly [illegible] blocked important foreign investment proposals.

"We will clear at least a dozen proposals before the year is out," [illegible] says.

The yawning gap between supply and demand is getting bigger

Power generation a thorn in the side of industrial growth

EVERY night, the harsh light from dull [illegible] flames plays eerily over the inky [illegible] of the Indian ocean. Burning just [illegible] Bombay's shore-line, the fierce fire [illegible] easily visible from the Gateway of India, [illegible] prominent landmark. The blaze is actually 8.33 million cubic [illegible] (mcm) of [illegible] being flared daily by [illegible] oil and natural [illegible] corporation (ONGC).

While [illegible] stop [illegible] at the awesome sight, executives [illegible] companies rail at the wanton [illegible] of [illegible] natural [illegible]. [illegible] flame has been burning since 1978. In total [illegible] almost 17mcm daily. "I could have used this [illegible] solve Bombay's chronic power shortage," says Mr P Abraham, who recently resigned [illegible] the chairman of [illegible] Maharashtra State Electricity Board (MSEB).

According to [illegible] estimates, it [illegible] a gas-based power plant within eight months and write off the investment within [illegible] years. Instead [illegible] letting [illegible] that, however, bureaucrats squabble [illegible] do with the precious [illegible] and [illegible] should [illegible] between energy, petrochemicals and fertilisers.

Unfortunately, such spendthrift apathy [illegible] restricted [illegible] the department of petroleum alone. It prevails particularly [illegible] Electricity [illegible] which control 83 [illegible] cent of India's power [illegible]tion. [illegible] last year, [illegible] of the 17 functioning [illegible] had run up losses of [illegible] Rs47.85bn.

This shows up [illegible] India's average plant load factor, which was [illegible] paltry 53.8 per [illegible] between April 1990 and March 1991. As [illegible] result, power [illegible] become an infrastructural bottleneck.

According [illegible] Mr Kalpnath Rai, [illegible] minister, [illegible] total generation [illegible] thermal, nuclear and hydro power plants during 1990-91 was 264bn units. What Mr Rai's impressive figures hide [illegible] the [illegible] gap between demand and supply, [illegible] which is [illegible] year. The [illegible] ministry [illegible] there is already [illegible] average [illegible] of 7.9 per cent, which [illegible] to 17.2 per cent in peak times.

Unless India [illegible] minimum additional capacity of 110,000mw by [illegible] turn of the century, power will become a key retardant factor in industrial growth. Worse, the yawning [illegible] beginning to frighten some of the more [illegible]sighted. "Power is no longer just an economic issue. It's a question of law and order," [illegible] Mr S Rajgopal, power secretary.

Mr Rajgopal's fears are increasingly taking concrete shape. In Calcutta, furious citizens recently [illegible] up [illegible] of CESC, [illegible] local power company, after [illegible] power breakdown. In [illegible] of Bombay, India's commercial heartland, [illegible] city [illegible] the verge of riots [illegible] in [illegible] years after grid collapses which crippled the transport system [illegible] which [illegible] people depend.

Government [illegible] galvanised by the grim future but handicapped by empty coffers

Galvanised by the grim future but handicapped by empty coffers, in June last year, [illegible] V P Singh [illegible] invited the private sector [illegible] generate and distribute power. In July [illegible] year, Mr Narasimha [illegible] Congress government [illegible] step further by inviting foreign companies [illegible] build [illegible] plants [illegible] India, either alone [illegible] in partnership [illegible] Indian firms.

Although [illegible] initial [illegible] was enthusiastic, interest quickly [illegible] leaving just [illegible] important business houses seriously including power in their long-term planning.

"We [illegible] identified power as [illegible] areas [illegible] the 1990s," [illegible] Mr Harsh Goenka, chairman [illegible] Enterprises, India's fourth largest business house. Over [illegible] past five years, the highly diversified group has quietly acquired and promoted six companies through which it now [illegible] almost every sector [illegible] the industry, from generation to distribution, and transmission towers to [illegible]

The aggressive group hopes to build [illegible] power stations, mostly [illegible] plants located in Bihar and [illegible] Bengal. Collectively that translates [illegible] 1,000mw [illegible] new generation and Rs24bn in fresh capital [illegible]

[illegible] the second interested group. Through the three Tata electric companies, [illegible] largest [illegible] already operates one of the most efficient [illegible] networks in [illegible] country. The Bombay-based group [illegible] actively involved in setting up four [illegible] plants, and [illegible] bidding [illegible] add up [illegible] 1,450mw.

Even their [illegible] power [illegible] legislative apathy. Some [illegible] months [illegible] three prime ministers later, [illegible] archaic Electricity (Supply) Act [illegible] still [illegible] despite [illegible] support [illegible] almost all lobbies. [illegible] September [illegible] delayed [illegible] was [illegible] in parliament, but with just [illegible] working days left [illegible] this session [illegible] may be carried [illegible] winter [illegible]

Other groups, such as the Birlas, [illegible] and Videocon who have [illegible] in [illegible] policy, [illegible] more concerned with improving [illegible] quality [illegible] their manufacturing [illegible] than getting into the [illegible] per se.

In [illegible], [illegible] private [illegible]tor [illegible] have [illegible] to build plants [illegible] 500mw. And if [illegible] are too many small [illegible] dotted across the country, they will become stumbling blocks in creating [illegible] cost-effective national transmission network.

Meanwhile, things are unlikely [illegible] improve [illegible] two big problem [illegible] are tackled effectively: subsidies to farmers and [illegible]

In [illegible] get free electricity. In Andhra Pradesh they pay just Rs5 per month. In all [illegible] they pay rates far below urban ones. [illegible] subsidies to agriculture are the cause [illegible] heavy SEB losses. Agriculture's share in total [illegible] consumption is about 25 per cent.

Earlier during the year, at an [illegible] called by the prime minister for all [illegible] ministers, the power ministry bluntly asked that "the burden [illegible] subsidy should [illegible] shouldered by the [illegible] government rather than the [illegible]." It [illegible] tion [illegible] curb the tendency of [illegible] promising [illegible] electricity [illegible] the moment elections [illegible] announced.

The [illegible] equally badly hit by pilferage. The [illegible] intolerable [illegible]. For example, a [illegible] inquiry [illegible] by the MSEB revealed [illegible] MSEB [illegible] had [illegible] with [illegible] factory owner [illegible] under-bill him by Rs300m. [illegible] dents [illegible] increasingly becoming [illegible]

Experts suspect [illegible] nearly 25bn [illegible] annually. This figure [illegible] on [illegible] (T&D) losses, which in the [illegible] of [illegible] have [illegible] from [illegible] per [illegible] 1961 to 23 per cent in 1990. According [illegible] for monitoring [illegible], as much as 11 per cent of this is not [illegible] illegal tapping.

Unless this phenomenon is effectively checked, policies [illegible] increase generation will remain [illegible] mockery. [illegible] same time, [illegible] load-shedding [illegible] problem [illegible] private [illegible] will not [illegible] substantially [illegible] capacity.

What [illegible] needed [illegible] government action. The first step should [illegible] improve [illegible] working of existing [illegible]. If the average [illegible] load [illegible] by just [illegible] per cent, 500mw of electricity can be generated without spending one extra rupee. Until politicians and civil servants summon up their courage to act immediately, Indians will simply have to get used to dark days and idle factories.

Gita Piramal

Workers fear changes mean job losses, writes **Alexander Nicoll**

Unions remain sceptical

PROBABLY more than [illegible] other [illegible] of the economy, India's large, unionised labour [illegible] is likely to feel the winds of change blowing as the result of the liberalisation efforts of the government of prime minister Mr P V Narasimha Rao.

Because India has a [illegible] of non-organised agricultural workers, unionised labour [illegible] for only about 8 per cent of the [illegible] workforce. However, it is powerful and vocal. Many officials, bankers and industrialists believe that the unions, if they so chose, could block the government's efforts to free up the economy.

It is difficult [illegible] the conclusion that whole-hearted [illegible] to streamline bureaucracy and make companies more efficient and competitive – especially if they involved privatisation – would result in [illegible] paring of [illegible] power.

The government is at great [illegible] making [illegible] efforts to play down the likely effects [illegible] unions, for their part, are adopting a [illegible] approach. The new industrial policy has therefore, so far, produced little [illegible] conflict. But a lot will depend on how this dialogue proceeds over the coming months.

Until this year, the unions have found themselves in line with the philosophy, if not always with the execution, of government policy since independence. There has been strong emphasis on the role of government and the public sector in meeting social needs, providing employment and subsistence for India's poor, and rejecting foreign imperialism and stressing the need for the country to be self-sufficient.

The [illegible] to avoid [illegible] people has resulted in many unviable industrial concerns being kept in operation. Unions have blocked any significant computerisation in the [illegible] nationalised banks, with the [illegible] that most information is still on paper, preventing proper centralised control of banks' operations and perpetuating [illegible] service and [illegible] over-staffing. Public sector employees [illegible] "dearness allowance" to compensate them for inflation.

The result has been an uncompetitive [illegible] and an [illegible] budget deficit.

Dr Manmohan Singh, the finance minister who is [illegible] heading the attempt to change the direction of public policy, [illegible] together labour leaders [illegible] to explain his [illegible] provide [illegible] about [illegible] promise full consultation.

While [illegible] emphasising that both the public and private sectors urgently needed to be made more competitive and [illegible]ective, he [illegible] the government would [illegible] burden of adjustment did not fall on the working classes. Mr Singh has specifically ruled out privatisation of banks, thus averting a one-day strike of bank staffs which had been planned for September 6 in anticipation that the government's plans would involve privatisation.

Unions are sceptical, however, about the possibilities for dialogue. Mr Ram Lal Thakur, secretary of the Indian National Trade Union Congress, says: "There has not been consultation for four or five years. The bureaucracy has the upper hand. Ministers call occasional meetings, but they only remember the trade unions when they're in trouble. They want to create the impression of good dialogue [illegible] they [illegible] it." Nevertheless, he feels the meeting with the finance minister was a good beginning and that the union – which as traditionally [illegible] aligned with the ruling Congress party – will not adopt [illegible] confrontational approach.

'The industrial policy has not uttered one word about generation of new employment'

This spirit of co-operation may not be taken up by all [illegible] unions, however. Mr [illegible], secretary of All-India Trade Union Congress, [illegible] big [illegible] in manpower as a [illegible] of the government policies. "The industrial policy has not uttered one word about generation of new employment," he [illegible].

The policy – which opened up private sector [illegible] to the possibility of foreign control – has not taken into [illegible] the rise in unemployment, the slowing in employment growth, and the fact that India has the third largest technically qualified labour force in the world, Mr [illegible] says. "India is [illegible] Taiwan or even Sri Lanka. Sri Lanka will be drowned in tea if it doesn't export. But we will not be drowned in tea."

He adds: "I am not saying that the purpose of production is only to give employment, but employment has to be taken into account. We think the government is not impervious to protests and views. It is amenable to pressure. It is democratically elected and [illegible] all [illegible] minority government."

Mr George Fernandes, former industry minister under a Janata party government and a leading socialist critic of the government, feels that little serious opposition is being mobilised at present. "I do not believe the unions are in any sort of fighting shape." Mr Fernandes is setting up an action committee and calling together union leaders. He feels in particular that an influx of foreign technology will mean wasting investment which has already been made in Indian industry. But he admits: "At the moment I am truly whistling in the dark."

Public sector employers, meanwhile, are adopting a conciliatory [illegible]. Mr S Venkitaramanan, governor of the Reserve Bank of India, which oversees the banks, says that in reforming them "we have to improve the work culture of banks, we have to [illegible] members of [illegible] banks. The human resource component of banking reform is often neglected. It is a very important component. They [illegible] a very important segment of banking reform. They have to be trained, they have to be given proper motivation and they have to have a sense of involvement and participation in the whole system."

It is not a question, he says, of redundancies, but of using the existing labour force better and retraining. The Reserve Bank has not allowed banks to expand their staffs for some time. "I do not visualise that as a result of reform there will be a need for getting rid of people."

It is clear, however, that hard [illegible] will have to be [illegible]. [illegible] and business will both be [illegible] to maintain dialogue with the unions and to blunt their formidable potential to derail the new policies.

PROFILE: SEEPZ

New era for export zone

INDIA's first zone of the type set up 16 years ago in Bombay is entering an exciting phase. The trade policy announced in early August and moves for an open economy are expected to give an impetus to exports from the zone.

Devaluation of the rupee by 18 per cent this July will [illegible] Santacruz Electronics Export Processing Zone (Seepz) to source their raw material needs locally and official permission to sell a quarter of production in the domestic market at half of the import tariff will boost their profitability.

Under the new policy, all [illegible] imports into India are to be supported by import entitlements against exports – eximscrips – traded at some 40 per cent premium at present. Lifting the cost of imports. But imports by companies in the export zones do not have these constraints.

They are [illegible] eximscrips and do not have to pay the premium. On top, the trade package offers a carrot of eximscrips entitlement up to 30 per cent of [illegible] for exports from the zone. "There are several [illegible] [in the trade poly]," says Mr M L Tandon, chairman of Tandon computers conglomerate [illegible] for a third of the Rs3.89bn [illegible] from Seepz last year.

Until recently Seepz was dominated by Indian businesses and did not attract international groups

Exports from Seepz have more than trebled in three years from Rs1.1bn in 1987-88 (April – March). The growth is projected to slow down this year to Rs4bn. Tandon brothers have flourishing computer business in Silicon Valley on the west coast in the US and have catapulted Seepz to the top by producing computer hardware. A Tandon company in Bombay produces Winchester head stacks for computers assembled in Singapore.

With the recent decision to allow flexibility in production pattern without adding large capital equipment under the new policy of "broadbanding", the Indian government has now recognised the problem of rapid obsolescence, says Mr Tandon. Until now, companies in Seepz could not alter production without official approval.

Seepz was dominated until recently by Indian businesses such as Tandon computers and did not attract international companies. Over the past couple of years this has changed. Multinationals have recognised India's edge in computer software and have been knocking at India's doors.

British Telecom, Philips, Citicorp and AT&T in partnership with datamatics have set up shop in Seepz to export software, tapping the relatively cheap technical manpower and making use of dedicated satellite.

International software exports last year were Rs300m, well below the country's potential estimated at Rs20bn. "We have to demonstrate our capability in software technology," says Mr Premkumar, Seepz development commissioner, referring to [illegible] interest of international firms.

The zone is yet to attract Japanese multinationals, which, up to now, have preferred Malaysia, Thailand, Indonesia and Pacific Rim countries. Seepz has not marketed vigorously, as many Far East countries have done. "The problem is lack of clarity," says Mr Tandon.

At the beginning, the main consideration for entry to Seepz was export earnings, but the focus shifted to employment and technology. Mr Tandon emphasises the need for clear policies and simplified systems in order to attract multi-national companies. "There should be no discretionary powers," he says.

However, the Seepz track record has been good in all spheres except technology [illegible]. "Our original objectives have been achieved," says Mr Premkumar.

Seepz provides employment for 10,000 people and the value added is 28 per cent as an average against the stipulated minimum of 20 per cent. The Seepz [illegible] the policy of limiting entry [illegible] and is now allowing diamond cutting and polishing companies to set up [illegible], which are to serve as a model to the Rs50bn local gem and jewellery industry.

This change is seen by analysts as [illegible] failure in [illegible] large overseas electronics [illegible] and jewellery industry [illegible] for a third of the [illegible] exports from Seepz last year and [illegible] jump this year.

The number of diamond polishing firms in the zone is expected to rise to 55 from 12 in a couple of years, changing the character of the zone. The change in composition is a result of a shift in the official policy [illegible] emphasis on value-added to [illegible] business. The production cycle of diamond polishing is shorter than electronics firms and exports from [illegible] will [illegible] than in the past.

R C Murthy

Agricultural concessions are still not filling landowners' pockets

Farmers threaten action

A farmer attends his rice paddy: criticism focuses on withdrawal of the fertiliser subsidy

MR Mahendra Singh Tikait, the burly and charismatic president of the Indian Farmers' Union, squats on the ground [illegible] front of his mud-and-brick house in Sisauli village in western Uttar Pradesh. He frowns constantly and grunts replies to questions on the demands of his vast following of landowners in the region.

Surrounded by bodyguards armed with shotguns, Mr Tikait [illegible] the concessions made to farmers by politicians and threatens a national agitation if they are not given a better deal. He scoffs at the government's decision to introduce a two-tier price policy on fertilisers and demands restoration of the full subsidy that has been only partially restored by the finance minister.

Fertiliser prices are topical and controversial because the government first raised them by 40 per cent in last July's budget and then, after severe criticism from within the ruling Congress party and the opposition, announced a two-tier policy that aimed at softening the impact of the subsidy cut.

The policy is to sell fertilisers at a subsidised rate to what are called "small and marginal farmers" (those with holdings of less then two-and-a-half acres) and at the full price for richer farmers. The aim is to save about Rs30bn on fertiliser subsidies but the policy will have to be implemented by the state governments which have declared it impossible to administer.

Mr Tikait is not worried by such academic arguments and insists on farmers' rights to a reasonable income based on cheap inputs such as fertilisers, electricity rates and diesel. His threatened agitation is real for Mr Tikait has shown he is capable of organising an effective farmers' movement (in November, 1989, he organised a week-long sit-in by hundreds of thousands of farmers in front of the Central government's offices in New Delhi).

Mr Tikait cannot be ignored, even though his own following is restricted to the Jat (a farmers' caste) districts of western Uttar Pradesh and Haryana. Indian farmers are largely unorganised. The only other farmers' movement that has gained some momentum is that organised by Mr Sharad Joshi, a former World Bank official, who heads his own union in the western state of Maharashtra and voices much the same demands as Mr Tikait.

Farmers' leaders say that they need to be properly organised if they are to improve their lot. Mr Joshi has argued that they cannot get a better deal unless they use pressure tactics on politicians and administrators to improve the terms of trade which, he claims, are heavily in favour of the urban areas.

Yet, as the criticism of the fertiliser policy showed, India's politicians are all too aware of the need to nurture the land-owning and landless farmers who form 80 per cent of population of the country. Each has a vote and hence their political importance.

The government itself insists that much of the current year's budget, in [illegible] of the cuts in [illegible] and other subsidies, aims at providing for the welfare of farmers. Since farmers live in India's 1m villages and most are among the poorest in the country, many of the schemes for rural development are aimed at improving their lot.

Dr Manmohan Singh, [illegible] minister of finance, devoted [illegible] considerable part of his budget speech to show how the "government is committed to the uplift of the weakest and the most vulnerable sections of our [illegible]".

The schemes he [illegible] include projects such as employment generation, provision of irrigation facilities, improving rural water supply.

Mr Tikait and Mr Joshi consider all this to be hogwash. There is no doubt that farmers have a genuine problem. Even though they have considerably raised the country's agricultural production and food-grain output [illegible] last year, their real incomes have been falling.

This is despite a substantial rise in purchase prices of agricultural products early in September to compensate the farmers for the higher costs of inputs such as fertilisers – and such populist schemes as waiver of loans by [illegible] V P Singh government [illegible] raised the [illegible]. The waiver [illegible] nearly Rs40bn to the [illegible].

The movements organised by Mr Tikait and Mr Joshi are no peasants' revolts. Indeed, the mass of Indian peasantry remains unorganised because they are made up by landless labourers who are grossly under-employed and live in conditions of near poverty or are farmers with uneconomic holdings.

The followers of Mr Tikait and Mr Joshi are land-owners cultivating farms which vary from two to 15 acres in size. What angers them is the fact that they have not shared in the gains that the country's undoubted progress in agriculture has made and that farming continues to be unremunerative, in spite of the increase in production of all crops.

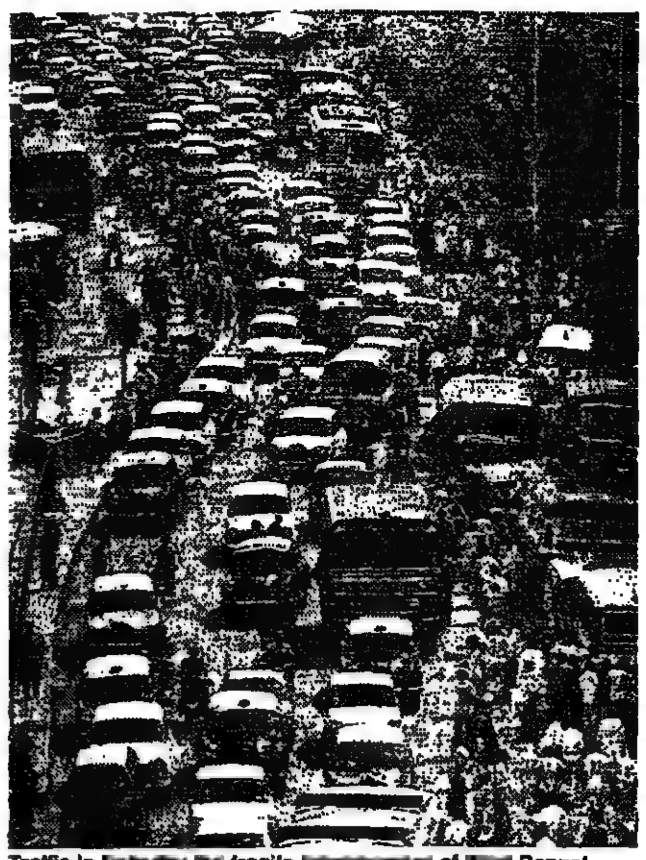
One official study has shown that at present [illegible] owning up to [illegible] have "negative [illegible] savings" while those with 25 acres have incomes equal to clerks in government [illegible]. Only [illegible] top [illegible] per cent of [illegible] owning more than [illegible] acres have [illegible] per capita [illegible].

The government faces big problems in improving [illegible] under pressure to cut subsidies on agricultural inputs in an attempt to cut the fiscal deficit. Dr [illegible] already carried [illegible] promise [illegible] raise [illegible] minimum support prices at which official agencies buy farm products, but this is at the cost of further fueling the strong inflationary pressures [illegible] already evident.

As the criticism of the withdrawal of the fertiliser subsidy shows, politicians [illegible] farmers on whose votes they depend could block the government from fully carrying out fiscal reforms. In any case, Mr Tikait is not impressed by the government's case for reforms since he points to the growing economic disparities between the urban and rural sectors.

"We are totally disillusioned by the treatment meted out to farmers," says Mr Tikait. Having repeatedly demonstrated his ability to create turmoil, his threat to give New Delhi another taste of the farmers' power has to be taken seriously.

K K Sharma



Traffic in [illegible] fragile [illegible] of [illegible] Bengal [illegible] put [illegible] many potential [illegible]

WEST BENGAL

Marxist state has pragmatic business view

THE Marxists have been in power in West Bengal since 1977. But in Mr Jyoti Basu they have a chief minister who has the pragmatism to welcome working with the private sector and foreign multinationals.

His personally good relations with the business community have not been sufficient to attract much investment to the state over the past 14 years. Mr Basu blames this on the hostile approach of Congress governments in New Delhi. He says that both Mrs Indira Gandhi and her son Mr Rajiv Gandhi used the system of industrial licencing to divert private sector investment away from West Bengal.

On top of this, [illegible] Marxist [illegible] in power the only new [illegible] project [illegible] located in the [illegible] low temperature carbonisation plant involving an [illegible] of [illegible] bn.

The Marxists have clashed with Congress governments in New Delhi over a number of issues. They wanted a thorough overhaul of central-state relations, much to the distaste of New Delhi. They asked the states to be given greater powers in raising their own taxes and for more funds to be transferred to them from the central government.

Both Indira and Rajiv Gandhi realised that the Marxists enjoying popular support in the rural areas – where nearly 75 per cent of West Bengal's almost 60m people – live could not be dislodged from power by the state Congress party which was ridden with dissent. The Marxists contend that since they could not be defeated in elections, New Delhi hoped to keep them on a tight leash by denying them industrial investment.

[illegible] is altogether different. Following delicensing, which released business houses from their obligation to turn to New Delhi for guidance, [illegible] will [illegible] compete [illegible] for private [illegible] investment. [illegible] aware [illegible] fundamental changes that have taken place. "There is [illegible] be competition [illegible] new competitive [illegible] we [illegible] survive [illegible] prosper," he said.

Politics of the past apart, the rather fragile infrastructure – power, telecommunication and roads – of West Bengal did put off many potential investors. For example, while demand for power has been growing by more then 100MW a year, there has been a zero growth in power capacity for nearly four years since 1986. It was only in [illegible] that [illegible] capacity of 277.5MW was brought on [illegible]. Mr [illegible] "there [illegible] significant [illegible] for [illegible] adequate and [illegible] infrastructure".

Mr Sanjiv Goenka, president [illegible] Indian Chamber of Commerce [illegible] vice chairman [illegible] the [illegible] turnover [illegible] Group, is optimistic about [illegible] prospects [illegible] Bengal. [illegible] "West Bengal today [illegible] a very [illegible] and peaceful [illegible] for commerce and industry. There is [illegible] air of expectancy all around with a government [illegible] Writers Building (as the [illegible] secretariat is called) which understands [illegible] people and enjoys their support."

Mr [illegible] knows [illegible] Bengal well. [illegible] group has four companies in [illegible] state, including [illegible], the only [illegible] generating enterprise [illegible] private sector. As if to [illegible] his optimism about [illegible] state, Mr Goenka [illegible] that CESC, [illegible] supplies power [illegible] Calcutta, is undertaking [illegible] 500MW [illegible] project [illegible] Budge.

The [illegible] power project [illegible] the [illegible] biggest private sector investment in [illegible] Bengal assuming that the [illegible] Petrochemicals project – [illegible] has suffered overrunning costs of [illegible] – will finally take off.

But it [illegible] only in recent years that West [illegible] been [illegible] to live down its negative image. The extremist movement and militant [illegible] unionsm [illegible] the 70s took a heavy toll [illegible] state. There [illegible] a flight of capital. The [illegible]cess of the Marxists in the 1977 elections further complicated the [illegible].

The Marxists then did not inspire confidence among the business community. According to Mr Basu, the flight of capital from [illegible] Bengal [illegible] not altogether stopped. But [illegible] does not object as long as the local business [illegible] "invest a [illegible] portion of [illegible] profits in the state."

The C K Birla group and [illegible] Mukand group have shown [illegible] in [illegible] up 2m tonne capacity [illegible] plants. The Tatas along with Korf of Germany are [illegible] a pig iron plant at Kharagpur. The [illegible] K Birla group has just finished a polypropylene film project.

What could also [illegible] Bengal in good [illegible] is that a large [illegible] multinational [illegible] are headquartered in Calcutta. Dr Abhijit Sen, president of [illegible] Bengal Chamber, believes that now [illegible] foreign companies can acquire a majority holding in Indian [illegible]tures, Calcutta [illegible] foregn affiliates might expand their [illegible].

[illegible] Marxist colleagues of Mr [illegible] feel that [illegible] too far in befriending businessmen. Mr [illegible] reply to [illegible] "I [illegible] let [illegible] Bengal turn into a [illegible]ert."

He [illegible] to draw [illegible] private sector into building new power plants. He asks: "Where [illegible] I [illegible] the money [illegible] build new plants? I have [illegible] up a 1000MW power unit in my [illegible] I [illegible] think it is [illegible] to sell [illegible] the power [illegible] in [illegible] government [illegible] [to private industry]," [illegible].

Mr Basu's [illegible] of welcome [illegible] private [illegible] are in sharp [illegible] reception [illegible] from [illegible] bureaucracy. [illegible] spite [illegible] relaxation [illegible] licencing by [illegible] central government, [illegible] investment proposals will still have [illegible] clearances from [illegible] government.

Unless [illegible] bureaucracy [illegible] responsive [illegible] and industry, [illegible] found [illegible] Bengal will peter out. Much will also depend [illegible] how aggressively [illegible] Bengal [illegible] Developmental Corporation, [illegible] markets [illegible] the [illegible]preneurs outside West [illegible].

Kunal Bose
Calcutta

Measures focus on stability and deregulation

Rao reforms attack Indian protectionism

THE government [redacted] prime minister Mr P V Narasimha Rao initiated [redacted] series of reforms in July [redacted] stabilise the economy and deregulate trade and industry. [redacted] include:

■ **Currency:** The rupee was devalued in two [redacted] on July 1 and [redacted] against the major cur[redacted] by just under 20 [redacted] cent. Since then, the [redacted] has been allowed to depreciate further so that £1 [redacted] equal to [redacted]

● **Budget:** Dr Manmohan Singh, [redacted] minister of finance, said this aimed [redacted] reducing [redacted] deficit [redacted] per cent of [redacted] domestic product to [redacted] per cent.

As a result, current expendi[redacted] in [redacted] being cut by 4.9 per cent in real terms to Rs1,141.03bn. The [redacted] in expenditure include [redacted] on subsidies, particularly [redacted] ers, export and [redacted] by [redacted]

Defence expenditure, at [redacted] shows [redacted] fall [redacted] about 8 [redacted] in [redacted] the previous year.

[redacted] budget [redacted] presented, [redacted] International [redacted] tary Fund has [redacted] for [redacted] cut of [redacted] per [redacted] in government expenditure [redacted] compen[redacted] for [redacted] partial [redacted] of the fertiliser subsidy amounting to [redacted] and [redacted] government had over-estimated [redacted] revenues from [redacted] duties by Rs10bn.

The budget [redacted] on companies by 5 per [redacted] while continuing [redacted] surcharge of [redacted] per cent.

■ **Foreign trade:** Several changes aim at eliminating a substantial volume [redacted] import licensing and strengthening export incentives.

Under [redacted] requirement, imports by companies have [redacted] linked [redacted] export performance. This has been achieved by [redacted] new instrument called "eximscrip" which enables companies to [redacted] imports at the rate of [redacted] per [redacted] the value of their exports.

Eximscrips [redacted] freely [redacted] ble. Imports [redacted] capital [redacted] for new ventures [redacted] be [redacted] freely up to a value of Rs20m.

Items reserved for import and export by government-owned trading houses have [redacted] reduced. The [redacted] will be reviewed next March to reduce the number further.

● **Industrial policy:** Industrial licensing has been abolished [redacted] all industries except [redacted] related [redacted] security and [redacted] gic [redacted]

The Monopolies and [redacted] tive [redacted] (MRTP) Act is to be restructured. The government's approval will no longer [redacted] required for [redacted] sion of existing units and [redacted] setting up [redacted] ones by [redacted] with [redacted] Rs1bn.

■ **Foreign investment:** Approval will [redacted] given automatically for direct foreign equity [redacted] up to 51 [redacted] for [redacted] categories [redacted] industries. The foreign equity should [redacted] the foreign exchange needed for imported capital goods.

[redacted] special empowered board [redacted] to negotiate [redacted] large foreign companies who wish [redacted] make long term [redacted] in India covering several projects. Equity participation [redacted] per [redacted] will be [redacted] in certain [redacted]

Payment [redacted] will be monitored by the Reserve [redacted] that outflows on foreign exchange [redacted] this [redacted] balanced by export earnings [redacted] period [redacted]

Automatic permission [redacted] be given for foreign technology agreements in "high priority [redacted]" involving [redacted] mum lump sum payment [redacted] Rs10m. Royalties of [redacted] per [redacted] for [redacted] 8 per cent for exports, subject [redacted] total payments of eight per cent of sales [redacted] 10-year period, will be [redacted]

● **Public [redacted]** The govern[redacted] announced [redacted] intention [redacted] partially privatise [redacted] public [redacted] units by offering up to [redacted] per cent [redacted] their equity to investment institutions and [redacted] in the concerns.

Government-owned indus[redacted] be given [redacted] autonomy. Further reforms involve cuts in the public [redacted] tor labour [redacted] through clo[redacted] some companies. The only detail the government [redacted] given so [redacted] of [redacted] "exit" policy is that a fund is to be set up jointly by the government, pri[redacted] companies, public sector units and [redacted] governments for workers [redacted] be offered early retirement.

Investments [redacted] the govern[redacted] in industry will be lim[redacted] mainly to [redacted] strategic importance, high technology [redacted] infrastructure. However, the private [redacted] will [redacted] some [redacted]

■ **Interest [redacted]** The mini[redacted] lending [redacted] top quality commercial borrowers has [redacted] fixed at [redacted] per cent [redacted] greater flexibility [redacted] fixing [redacted] banks and financial institutions.

The government is commit[redacted] in principle [redacted] further reforms. These include:

● **Foreign trade:** Dr Manmohan Singh, the finance minister told the [redacted] he would [redacted] for [redacted] in [redacted] next budget [redacted] presented [redacted] parliament in February. [redacted] an [redacted] weighted [redacted] of [redacted] 112 [redacted] cent, [redacted] the highest in the world.

■ **Taxation:** As [redacted] for [redacted] government's revenues, [redacted] from [redacted] will have [redacted] be [redacted] up by raising [redacted] duties. A reform of India's complicated [redacted] and indirect taxation structure [redacted] overdue.

■ **Financial [redacted]** A commit[redacted] submit its report in mid-November. This will consider issues [redacted] increased [redacted] of market mechanisms in [redacted] ing credit, recapitalisation [redacted] the nationalised banks and giv[redacted] the banks [redacted]

K K Sharma

ON [redacted] day after Mr Kalyan Singh was sworn in [redacted] chief minister of Uttar Pradesh in June, [redacted] took his entire cabinet of 19 ministers [redacted] Ayodhya, a [redacted] 70 miles east [redacted] the state capital, Lucknow. In a [redacted] which offended and alarmed local Moslems, they vowed that they would build a temple there [redacted] Lord Ram, a Hindu deity.

The Ayodhya issue had been the [redacted] of the national elec[redacted] campaign of Mr Singh's party, the Bharatiya Janata Party, which has won [redacted] many [redacted] with its Hindu revivalist line.

The temple is controversial [redacted] it [redacted] be built on the site of a mosque which, although disused, is still treated as [redacted] by Moslems, who number some 100m or 12 [redacted] cent of India's population. Hindus allege that [redacted] mosque [redacted] built in [redacted] 16th century [redacted] the [redacted] destroyed [redacted] ple.

The BJP did not capture the Delhi parliament, but it [redacted] for [redacted] first [redacted] in Uttar Pradesh, India's [redacted] populous [redacted] with [redacted] people. Mr Singh [redacted] senior [redacted] yet. Although the party [redacted] previously run some of India's [redacted] states, [redacted] in Uttar Pradesh will [redacted] seen [redacted] key [redacted] its ability [redacted] the country.

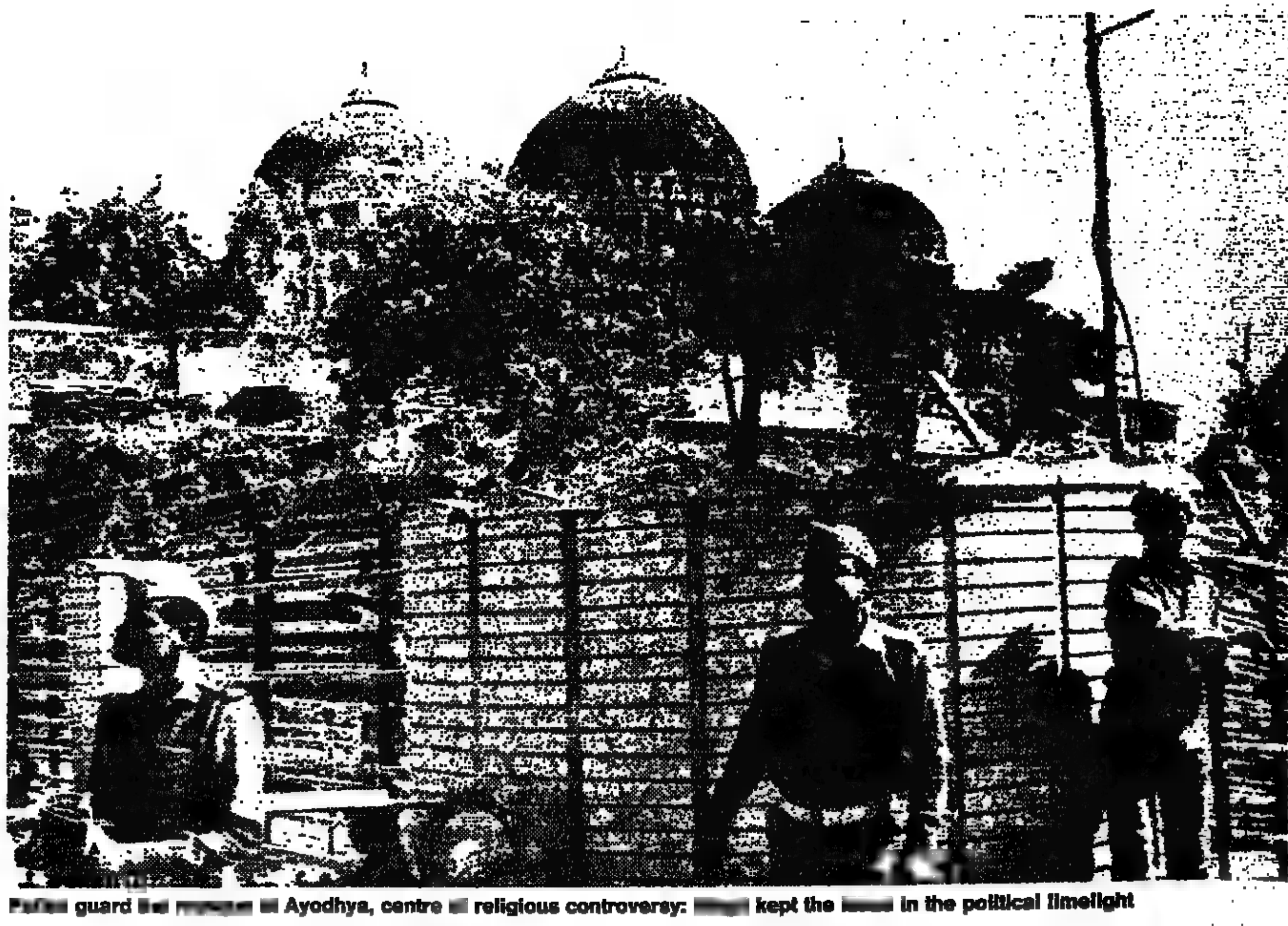
Mr Singh has impeccable credentials [redacted] opposition politician [redacted] now trans[redacted] them [redacted] his position [redacted] government.

Born in [redacted] farming family in Aligarh district, [redacted] his name as [redacted] powerful speaker and champion [redacted] rural communities [redacted] being elected seven times [redacted] state's legislative assembly. [redacted] has been jailed [redacted] political activities, including [redacted] 20-month detention under [redacted] rule.

He kept [redacted] Ayodhya [redacted] in [redacted] limelight in [redacted] politics. Only [redacted] ago, [redacted] of the [redacted] opposition in [redacted] legislative assembly, he [redacted] for six [redacted] under [redacted] Security Act after agitation [redacted] Ayodhya.

The [redacted] support [redacted] of religious hardliners and middle [redacted] Hindus, particularly in [redacted] community, [redacted] by the idea of [redacted] Hindu state and by BJP tenets such [redacted] "justice for all, appeasement [redacted] none" which refer to concessions made to Muslim laws.

They are also disillusioned with the Congress party which has been ruling India for most



[redacted] guard [redacted] in Ayodhya, centre [redacted] religious controversy: [redacted] kept the [redacted] in the political limelight

PROFILE: KALYAN SINGH

Hindu champion confident

[redacted] the years since independence, and by corruption in the government. The [redacted] rise [redacted] concept [redacted] a secular [redacted]

The BJP [redacted] line on [redacted] – it probably [redacted] little quarrel [redacted] economic liberalisation [redacted] now being introduced by the government – [redacted] depends on whipping up the religious fundamentalist [redacted] in order to win further support nationally.

It [redacted] thus caught [redacted] in a trap: to [redacted] credible as a governing party, it must appear sober and responsible, but it must [redacted] carry [redacted] momentum of the Ayodhya [redacted] upon which it has [redacted] itself.

If Mr [redacted] is aware of this [redacted], his [redacted] manner betrays no sign [redacted] it. "At the election [redacted] mandate from the people to [redacted] the temple built. My government will remove all hindrances," he said. "It [redacted] national issue. It [redacted] symbol of [redacted] national pride ... and a symbol [redacted] national independence." Moves to [redacted] construction [redacted] the mosque [redacted] under [redacted] in Ayodhya.

[redacted] Singh: the BJP's [redacted] elected [redacted] yet

Meanwhile, however, Mr Singh's government finds itself financially strapped [redacted] the [redacted] government in Delhi. It [redacted] time that [redacted] ruling party in Lucknow has been [redacted] Delhi, [redacted] himself seeking an emergency loan of [redacted] from [redacted] central government [redacted] an inherited budgetary emergency.

Mr [redacted] unpopular austerity [redacted] to cut the [redacted] spending, and [redacted] concerned about [redacted] local [redacted] of the Delhi government's economic measures, such as rising fertiliser prices – although he will not com[redacted] are justified. [redacted] Uttar Pradesh should [redacted] foreign [redacted] under the liberalised approach from Delhi.

A [redacted] picture [redacted] BJP's approach [redacted] government will appear over the coming months, with the Ayodhya [redacted] likely [redacted] become more heated, despite the fervent [redacted] state's powerful top civil servants that it should be settled locally by the communities at Ayodhya itself – and as the BJP administration evolves its own budgetary and economic policies.

For Mr Singh, the way ahead is clear as he contemplates the minority government [redacted] Delhi. He says that BJP support for the Congress [redacted] – so far it [redacted] essentially backed [redacted] economic reform programme – will not be unconditional.

"We will support or oppose depending [redacted] merits and de-merits of central government," he says. [redacted] clearly has [redacted] as [redacted] the [redacted] come of the next general election: "The prospects for Delhi [redacted] quite bright and the way to [redacted] passes through [redacted] Pradesh."

Alexander Nicoll

■ Financial services: the big names find [illegible] second home Page 3

FINANCIAL TIMES SURVEY

WALES

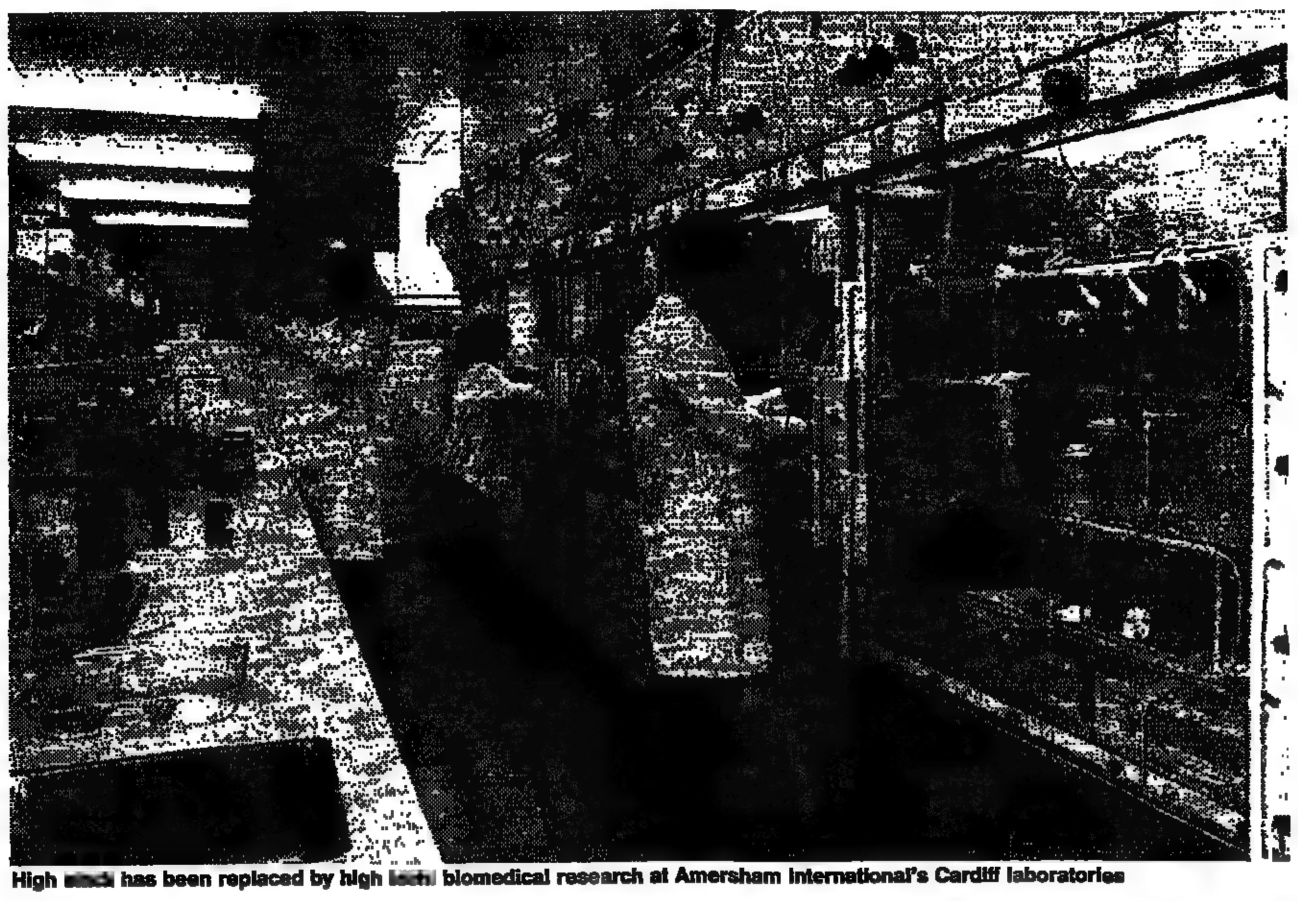
■ Tourism — drive to attract the missing foreigners Page 8

SECTION IV

Monday September 16 1991

Structural changes to the economy since the downturn of the early 1980s have led to a more resilient industrial base that is now being tested by the recession. Yet Wales has attracted more than its share of investment projects in growth sectors, writes **Anthony Moreton**

Catching the big fish



High [illegible] has been replaced by high [illegible] biomedical research at Amersham International's Cardiff laboratories

A RELATIVELY little-noticed paragraph in the papers in the middle of last month could be a signal of profound changes in the fortunes of Wales over the next decade.

The item said that Matthew Epstein, a 43-year-old from New York, was to become the next director of the Welsh National Opera Company.

[illegible] disrespect to him, it is doubtful if, [illegible] the [illegible] of the [illegible] of music, Mr Epstein's is [illegible] commands immediate recognition. Not for [illegible] to jostle [illegible] plinth alongside [illegible] Paul McCartney [illegible] media mogul Rupert Murdoch.

[illegible] music, it [illegible] a different matter. Mr Epstein has [illegible] consultant [illegible] San Francisco Opera, the Chicago house and to Carnegie Hall; for [illegible] 20 [illegible] he has been with Columbia [illegible] Management.

In the Big Apple he is a very *big fish indeed* — and he has just arrived in Wales.

That a man of his stature at the height of his artistic powers should [illegible] come to Wales reflects the standing the country has in the world of music.

Unfortunately, that [illegible] of the principality [illegible] a place to be is not widely held outside that sphere.

And that is one of the most important problems Wales now faces.

Too many people in the rest of Britain, perhaps most of them, believe Wales is still a place where coal remains king and steel mills belch forth their dirty emissions as they did 30 years ago, let alone 100.

Mr David Waterstone, a Scot who spent seven years in Cardiff as chief executive of the Welsh Development Agency, used to say that the greatest problem facing Wales today was changing its image. The arrival of Matthew Epstein will contribute just a little towards that.

Outside the arts, Wales has left the era of heavy industry behind it. Coal has all but disappeared, with only four pits left at the end of this year; steel remains a potent [illegible] but in a much more modern, less labour-intensive form; [illegible]per, lead, zinc [illegible] other metal-forming industries have gone completely. In their [illegible] have come financial services, electronics, food processing, [illegible] and merchant banking. High stack has been replaced by high tech.

The message of the [illegible] of Wales will be thrust [illegible] to an international audience [illegible] autumn when Dr Gwyn Jones, chairman [illegible] the [illegible] Development Agency, travels [illegible] Japan and [illegible] Pacific [illegible] with [illegible] Ash, [illegible] London University's Imperial College [illegible] Science and Technology, to launch Imperial Park, a joint venture between [illegible] two organisations [illegible] a science park [illegible] Newport.

The [illegible] park [illegible] part of a giant [illegible] development, Celtic Lakes, [illegible] undertaken by building group Trencher[illegible] Commercial and a local concern, Bassaleg, [illegible] create the largest business park [illegible] the [illegible] Britain. The 170-acre development, on land originally earmarked for Toyota's motor plant and larger than [illegible] is expected [illegible] lead to the creation of 8,000 jobs by [illegible] turn of the century. This development is seen as a [illegible] new [illegible]

[illegible] between the WDA and Imperial College as setting the groundwork for the emergence of a Silicon Valley in Britain. "America's great lead in this area came through universities, industry and the community acting together," he says. "We want to do the same thing in Wales and our association with Imperial College, [illegible] world's leading [illegible] institutions, gives [illegible] that opportunity.

"Foreigners have fewer hang-ups than [illegible] in coming to Wales. They do not see it as a dark, nasty place [illegible] as [illegible] with its [illegible] culture and identity."

In cultural terms, too, Wales is changing. Welsh culture has always been stronger than in [illegible] part [illegible] the UK because of the strength of the Welsh language. About 18 per cent of the people still speak it and in many parts it is impossible not [illegible]. The Welsh Language Board, [illegible] up to [illegible] a future [illegible] the language, [illegible] presented proposals for a new [illegible] bill which would put Welsh [illegible] an equal footing administratively with English.

Mr John Elfed Jones, [illegible] chairman, who [illegible] chairman [illegible] the controversial Welsh Water, [illegible] previous [illegible] did not give equal validity [illegible] languages but [illegible] the time [illegible] for a change. "The people of Wales still [illegible] live, cannot marry, cannot [illegible] in Welsh," he says. "We [illegible] equal validity [illegible] status for Welsh.

"Legislative and executive obstacles [illegible] its use should be ended. [illegible] for a greater [illegible] the [illegible] in the public sector is necessary and a statutory [illegible] should be set up [illegible]

With the [illegible] the [illegible] which says it would add [illegible] costs, the [illegible] has considerable force within Wales [illegible] it would [illegible] government [illegible] not unsympathetic towards its general thrust. But elsewhere, traditions [illegible] unchanged.

Politically, [illegible] remains a bastion for [illegible] Labour party. Three of [illegible] party's [illegible] leaders since [illegible] have represented [illegible] constituencies. [illegible] a general election approaching, [illegible] is unlikely that Labour's enormous strength in [illegible] country will [illegible]

The attempt by [illegible] Conser[illegible] confine [illegible] to [illegible] heartlands in the industrial valleys [illegible] failed.

Riding the crest of early Thatcherism, [illegible] Tories captured a third of the principality's 38 [illegible] in [illegible] then, it has been downhill at an [illegible]ting [illegible] and there is little [illegible] a recovery. Labour has the young MPs [illegible] cabinet [illegible] it [illegible] the more efficient organisation. That will take some overturning.

Mr Peter Walker, the previous Welsh secretary, used [illegible] talk about bringing unemployment levels in the depressed valleys of south Wales down [illegible] those in the south-east of England when he launched an initiative [illegible] rejuvenate [illegible] area three years [illegible]

His pump-priming and per[illegible] involvement [illegible] a lot and the quality of life undoubtedly continues to improve.

In regional terms, though, as Mr Dennis Thomas, of University College of Wales, Aberystwyth, [illegible] out, [illegible] is bottom [illegible] the pile in [illegible] areas [illegible] has actually been going backwards rather than forwards. More men earn under £130 a [illegible] than in any other part of Britain; [illegible] product [illegible] head is lower than elsewhere as is personal [illegible] personal disposable [illegible]

Whereas men [illegible] of the [illegible] average in [illegible] the figure [illegible] dropped [illegible] later. Among [illegible] the drop [illegible] not quite so severe, perhaps reflecting [illegible] way [illegible] which it [illegible] easier for a woman [illegible] find work, [illegible] much of [illegible] in the [illegible] becoming part-time.

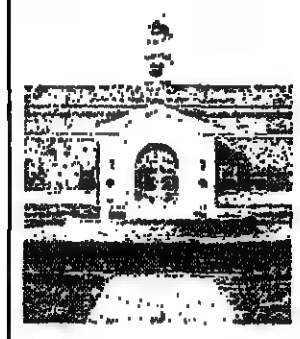
Another academic, Dr [illegible] Morgan [illegible] University College, Cardiff, believes that [illegible] could learn from the [illegible] advanced regions [illegible] Europe, especially Baden-Württemberg, the [illegible] Land (or province) whose capital, Stuttgart, [illegible] twinned with Cardiff. It [illegible] important [illegible] the European [illegible] market [illegible] approaching that policy-makers in [illegible] "recognise [illegible] new geo-political [illegible] being established in Europe below [illegible] level [illegible] nation-states."

Wales is not ignoring [illegible] It has forged [illegible] links with Baden-Württemberg as well [illegible] with Catalonia in Spain, Rhone-Alpes in [illegible] and Livorno in Italy. Perhaps [illegible] links are, imperceptibly, paying dividends.

This year's Cardiff Festival of Music, which opened on Saturday night has a Czech theme. Internationalism [illegible] in [illegible] air. [illegible] York's Matthew Epstein should [illegible] quite [illegible] home.

IN THIS SURVEY

(Above) [illegible] Hunt, [illegible] Welsh Secretary



(Above) [illegible] business park [illegible] four-star [illegible]

Editorial [illegible]
[illegible] Bowman

The economic recession is different from that of the early 1980s, writes **Anthony Moreton**

Not all the news is so 'wonderful'

JUST AS most people were thinking about their summer holidays at the start [illegible] last month, Mr David Hunt, the Welsh Secretary, pulled a big investment rabbit out of his hat.

Trico, [illegible] of the world's [illegible] in the manufacture [illegible] [illegible] wipers for cars and lorries, [illegible] to close its factory in West [illegible] and move to a [illegible] at Pontypool in Gwent, creating another [illegible] jobs in Wales.

Mr Hunt has been regularly dipping his hand into [illegible] hat and bringing out goodies this year. On a single day in July he [illegible] 14 industrial projects involving [illegible] investment of [illegible]. They ranged from *Fibrax investing [illegible] at* Wrexham to expand its rubber-moulding plant, creating 33 jobs, to Peer investing £0.7m in setting up [illegible] furniture factory [illegible] Blaenavon, creating [illegible] jobs. "Wonderful news," [illegible] called [illegible] package which [illegible] cynic might [illegible] [illegible] just [illegible] official statistics showed unemployment going up again [illegible] a seasonally adjusted 9.1 per [illegible] as vacancies notified to Jobcentres fell.

[illegible] the redundancies which have led to the rise in unemployment are recession-related. The decision [illegible] Thorn Electric [illegible] shut [illegible] Merthyr Tydfil plant, where it has [illegible] 500 workers, arose through changes in the lighting industry rather than [illegible] drop in consumer demand, [illegible] Hoover's laying [illegible] more [illegible] 400, [illegible] in Merthyr, [illegible] an attempt by management [illegible] win back control of [illegible] functions against [illegible] militant engineering union.

The seeming paradox [illegible] Wales is [illegible] it continues to *attract [illegible] encouraging* numbers at the same time that it lays off workers in even larger numbers. There is no doubt that the recession, which [illegible] Wales about [illegible] year [illegible] the rest [illegible] UK, is still affecting [illegible] economy. [illegible] different recession, though, [illegible] the start of [illegible] 1980s. That was a structural upheaval; this time, it [illegible] consumer dominated.

"Ten [illegible] ago the narrowly-[illegible] Welsh [illegible] was hit more severely than elsewhere in Britain as the [illegible] industries collapsed," [illegible] Dr Gwyn Jones, chairman [illegible] the Welsh Development Agency. "This time a broader-based economy is more resilient and [illegible] is coming through the downturn better [illegible] many other UK regions."

Mr [illegible] Thomas, lecturer in [illegible] at the University College of [illegible] in Aberystwyth, [illegible] of resilience has [illegible] be [illegible] with caution. "[illegible] parts [illegible] the country have [illegible] *extremely well,* [illegible] the [illegible] investment, especially around Cardiff in the [illegible] and Wrexham in [illegible] north-east. But large [illegible] still [illegible] benefit [illegible] prosperity [illegible] been unevenly [illegible].

"[illegible] were optimistic about [illegible] prospects in [illegible] 1980s [illegible] begun [illegible] doubts. Their view [illegible] would [illegible] better placed than in [illegible] mid-1980s, and [illegible] placed than other regions [illegible] Britain, [illegible] beginning to [illegible] questioned. The recession [illegible] bitten deeper than expected."

Such [illegible] only [illegible] signs [illegible] pulling out of [illegible] recession. The [illegible] CBI quarterly industrial [illegible] survey for Wales, published [illegible] of July, warned [illegible] had "not yet brought [illegible] in optimism [illegible] companies [illegible] a sustained economic recovery".

It [illegible] add [illegible] the report [illegible] 10th successive quarterly survey [illegible] weakening [illegible] confidence. Its [illegible] of optimism was [illegible] "the decline [illegible] slowed [illegible] its [illegible] point [illegible] start [illegible] the year".

The government's index of industrial production and construction in Wales [illegible] much the same state [illegible] affairs. First quarter 1991 figures, the latest [illegible] a further fall compared with the last [illegible] 1990. The fall was almost imperceptible – 0.1 per cent – raising hopes [illegible] downturn may be [illegible]toming [illegible].

The [illegible] of general pessimism [illegible] by Dr David Phillips, [illegible] Chamber of Commerce [illegible] Industry, who reported that "[illegible] in both [illegible] service and manufacturing sectors in [illegible] has become [illegible] difficult for [illegible] companies. Small [illegible] have been most affected, showing [illegible] sharper decline than companies employing over 200 workers."

If [illegible] is about [illegible] come out of recession, as Mr [illegible] Lindsay, [illegible] partner in [illegible] Cardiff office [illegible] Touche [illegible] believes, there are still dangerous times [illegible]. "[illegible] has changed [illegible] nature considerably in [illegible] past decade," [illegible] "and [illegible]aged [illegible] growth [illegible] self-employment and small firms.

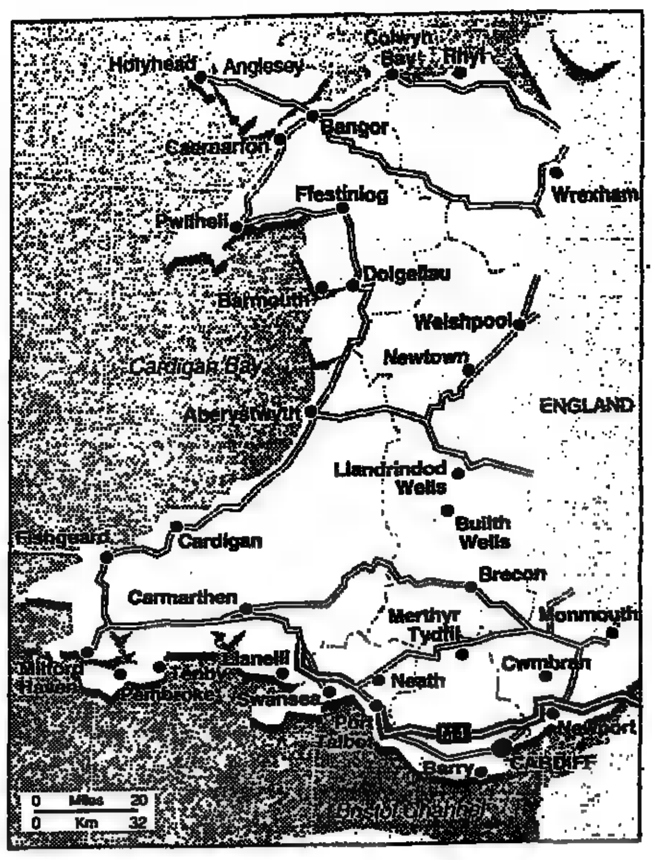
"For [illegible] people [illegible] recession and the start [illegible] upturn [illegible] be a dangerous time. [illegible] light [illegible] end of [illegible] tunnel, put in a burst [illegible] expansion [illegible] find they [illegible] doing [illegible] much for [illegible] climate [illegible] time. They [illegible] in front of [illegible] financial abilities and [illegible] have [illegible] extremely difficult time negotiating this period."

Although [illegible] had one of the [illegible] growing regional [illegible] in [illegible] second half [illegible] 1980s, [illegible] has [illegible] weaknesses. Mr [illegible] points [illegible] that growth has [illegible] translated into greatly [illegible] prosperity [illegible] the [illegible] characterised by [illegible] of activity.

"Wales [illegible] fallen well behind the British average on earnings [illegible]," he [illegible], "and the fall in unemployment has not [illegible] great as in many other regions."

There continues to be regional unemployment blackspots, he says, especially in some of the valleys of South Wales and the smaller towns of mid and north Wales; agriculture is depressed; there is a relatively low proportion of the workforce in the higher payment sectors such as financial [illegible] and information [illegible]nology; and [illegible] private sector is still investing inadequately. All this will have to change before it can really be said that Wales is out of the woods.

Gwyn [illegible]: "[illegible] coming through the downturn better than many other UK regions"



WEEKLY EARNINGS* (£)

	Wales	UK	Wales as % of UK
MALES: manual			
1980	111.3	111.7	[illegible]
1984	[illegible]	152.7	[illegible]
1989	[illegible]	217.8	[illegible]
1990	[illegible]	237.2	[illegible]
MALES: non-manual			
1980	[illegible]	141.3	[illegible]
1984	[illegible]	209.0	91.9
1989	[illegible]	323.8	[illegible]
1990	[illegible]	354.9	[illegible]
MALES: all			
1980	119.1	124.5	[illegible]
1984	[illegible]	178.8	[illegible]
1989	238.6	269.5	[illegible]
1990	[illegible]	295.6	[illegible]
FEMALES: manual			
1980	67.7	68.0	99.6
1984	[illegible]	93.5	[illegible]
1989	131.6	134.9	97.7
1990	[illegible]	148.0	[illegible]
FEMALES: non-manual			
1980	[illegible]	82.7	94.9
1984	116.7	124.3	[illegible]
1989	[illegible]	195.0	92.6
1990	[illegible]	215.5	89.6
FEMALES: all			
1980	[illegible]	78.8	95.7
1984	111.1	117.2	94.8
1989	[illegible]	182.3	92.2
1990	[illegible]	201.5	[illegible]

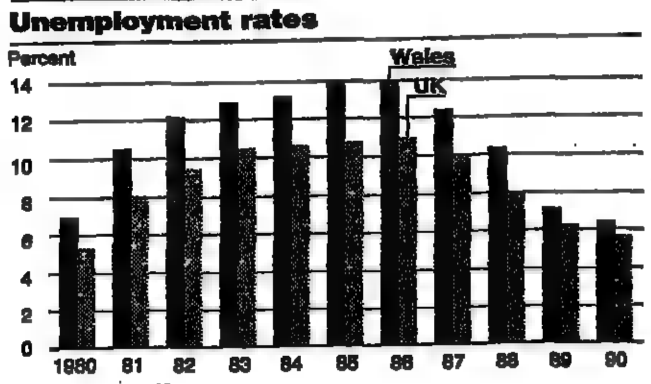
*Average gross earnings for full-time employees on adult rates in April [illegible] New [illegible] Survey [illegible] Economic [illegible]

UK GROSS WEEKLY EARNINGS*

	Manual Males	Non-Manual Males	All Males	Manual Females	Non-Manual Females	[illegible]
South-East	£255.3	£404.0	£344.4	£164.9	£244.6	[illegible]
East Anglia	[illegible]	£333.9	£281.1	£141.9	£198.3	[illegible]
South-West	[illegible]	£326.6	£277.3	£141.8	£199.5	[illegible]
[illegible] Midlands	[illegible]	£322.3	£269.3	£143.1	£195.0	£181.1
[illegible]	£231.6	£322.8	£269.7	£140.1	£198.9	[illegible]
[illegible]	£230.7	£316.8	£265.9	£140.8	£193.5	[illegible]
North-West	£233.1	£322.6	£274.7	£143.8	£199.8	[illegible]
North	£231.6	£314.5	£265.2	£141.0	£192.5	[illegible]
Scotland	£231.7	£327.4	£276.4	£141.2	£200.6	[illegible]
Wales	**£224.7**	**£306.2**	**£258.6**	**£143.5**	**£193.0**	**£180.3**
UK	£237.2	£354.9	£295.6	£148.0	£215.5	[illegible]

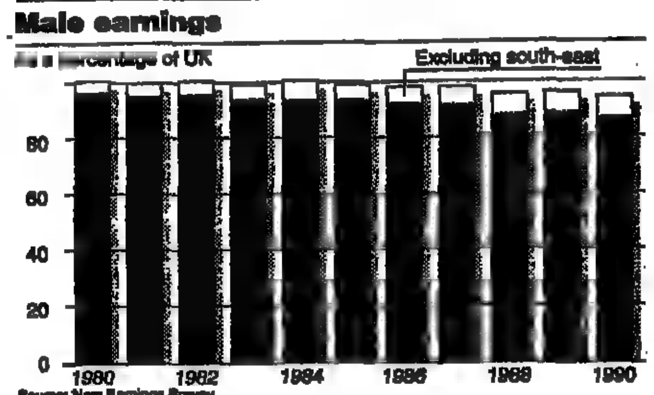
*Full-time employees on adult rates, April 1990 — Source: New Earnings Survey, 1990

Unemployment rates



Source: Department of Employment

Male earnings



Source: New Earnings Survey

KEY FACTS

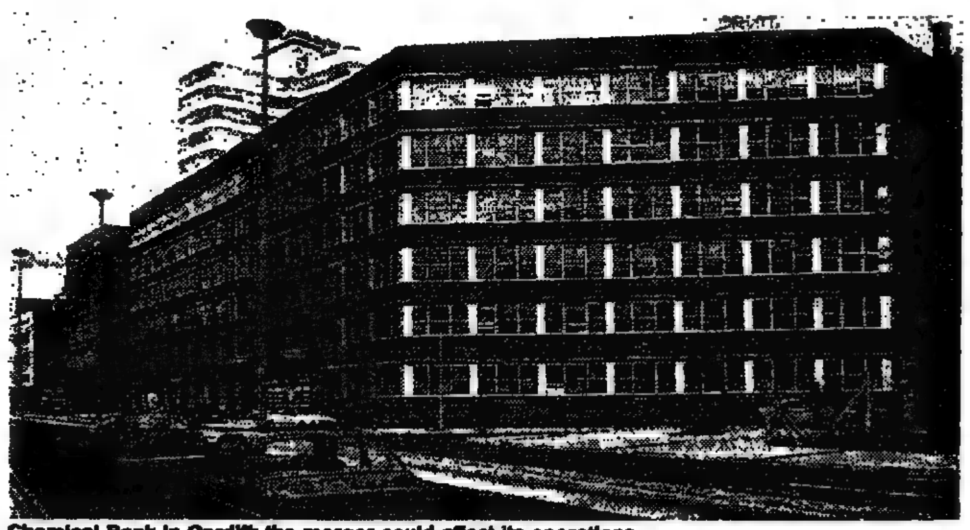
	Wales	UK
Area (sq km)	[illegible]	[illegible]
Population (thousands, 1990)	2,881	57,411
Population [illegible] (per sq km)	138.7	[illegible]
Population growth [illegible]	2.1%	[illegible]
Age structure [illegible]		
below 15 years	[illegible]	[illegible]
above pension age	19.5%	[illegible]
[illegible] per 1,000 [illegible] (1988)	13.2	13.8
[illegible] live births outside marriage†	28.2	[illegible]
[illegible] per 1000 pop.†	12.2	11.5
Ethnic minority pop as [illegible] of total	1.2	4.7*
GDP (1989, £m)	18,306	438,774
GDP per head [illegible]	[illegible]	[illegible]
Economic activity rates (1989)		
Males	[illegible]	[illegible]
Females	[illegible]	[illegible]
Employment Structure (1989)		
Agriculture, energy & water	[illegible]	[illegible]
Manufacturing	[illegible]	23.1%
Construction & [illegible]	[illegible]	[illegible]
Other services	40.3%	41.7%
Unemployment (June [illegible])	[illegible]	8.1%
[illegible] per 1,000 employees†	314	181
[illegible] disposable [illegible] index†	88.3	[illegible]
Weekly earnings (full-time [illegible] **1990)**		
Men	£258.60	£295.60
Women	[illegible]	[illegible]
[illegible] (1989)		
Pupil/Teacher ratio - primary	22.3	21.8
Pupil/Teacher ratio - [illegible]	15.3	[illegible]
16-year-olds staying [illegible]	63.1%	[illegible]
NHS [illegible] per 1,000 population†	[illegible]	189.8
Owner occupation as percentage of housing stock	71%	67%
Building Society borrowers average dwelling price (1990)	£48,500	£59,600
Index of dwelling prices, 1990 (1985=100)	201	199
Cars per 1,000 population (1988)	327	355

[illegible] figures
* [illegible] Britain
† [illegible] of population [illegible] over in [illegible]

Source: CSO Regional Trends 1991, Employment Gazette

FINANCIAL SERVICES

Principality gains as the big names find a second home



Chemical Bank in Cardiff: the merger could affect its operations

IN 10 days' time Wales meets the City of London when Mr David Hunt, Welsh Secretary, hosts a dinner for the City in Lancaster House at which he will extol the virtues of the principality, and in particular south-east Wales, as a financial centre.

It is a measure of the way in which South Wales has become a home for financial services companies that this dinner should have become an annual event. Ten years ago it would have been laughable to have bracketed Cardiff and the City in the same breath; today, Wales has a flourishing financial industry.

It still has a long way to go before it can claim to be a leading financial centre. But it has made important steps along the path. Mr Peter Walker, Mr Hunt's predecessor, used to like to point out that the financial services sector employed two or three times as many people as coal and steel combined. Today, that statement raises no eyebrows.

A financial services initiative, launched by the Welsh Development Agency with the backing of the government three years ago, has played an important part in the growth of the sector. This has seen a small financial industry that contained names such as the Bank of Wales, a subsidiary of the Bank of Scotland, Principality Building Society and Chemical Bank expand in all directions.

Next Friday six days before the Lancaster House dinner, the Principality, a medium-sized society, 24th in the building societies league, is to host a dinner in Cardiff's city hall to mark the attainment of a £1bn assets base. In the next few weeks the society will move into a new purpose-built headquarters in the city.

Six weeks ago, at the end of July, Venture Link Investors, a Maidenhead-based concern, launched a £8m venture fund aimed at equity funding for unquoted companies and product development finance. A few days earlier NCM, the Dutch insurance company, had completed the takeover of the Export Credits Guarantee Department offshoot in Cardiff.

New names abound. Axa, the French insurance company, Aegon Life, a Dutch life assurance concern, and Das, a German insurance concern have all joined [illegible] community recently. For Aegon, the Cardiff office is only its second in the UK outside central London.

Axa has chosen Cardiff as the centre for its UK general-insurance operations. It bought Westgate Insurance, a local company, a decade ago, changed the name to Axa last year, and used it as a vehicle to develop general insurance in Britain and has seen its premium income rise to around £80m, of which motor business, *the company's largest,* accounts for half.

The move to Cardiff has been so successful that Axa has built up a staff of some 250 in the Welsh capital and is now looking for bigger premises within the city. Nor is Axa alone. Willis Wrightson Wales – part of Willis Corroon, one of the world's big four insurance-to-financial services groups – has seen its business rise to the point where it has had to move into larger offices within Cardiff and Chartered Trust, a wholly-owned subsidiary of Standard Chartered, has set up a new computer centre to serve not just itself but also its parent bank.

Since Mr Walker launched the financial services initiative, other names that have arrived include N. M. Rothschild, National Provident Institution, D. C. Gardner and BNP Mortgages.

Earlier arrivals include TSB Trust, which established its general insurance division in Newport in 1967, and the AA which set up one of its three main insurance booking centres in Cardiff in 1977. Nor is this the end of the story. Others are in the pipeline. Credit Lyonnais is looking at the options [illegible] opening an office in Cardiff, possibly next year, and the Prudential is thought likely to choose the city as one [illegible] main [illegible] in a shake-up [illegible] own regional operations.

Most of the newcomers have, not altogether surprisingly, [illegible] been new arrivals across the whole of south Wales, from Newport in the east to Swansea in the west. They have *been attracted by reasonable* office rents, a good supply of office buildings, available labour and lower wage rates than in many other parts of Britain. Many of these companies have come to south Wales because they want to escape pressures such as high labour turnover and escalating property costs which are an inevitable concomitant to operating in the home counties.

But now things are changing as the recession bites. Many of those pressures remain but as the shake-out in the financial sector in London and the south-east of England gathers pace, the comparative attractions of South Wales begin to recede. [illegible] is some evidence [illegible] flow of [illegible] to Wales [illegible] beginning [illegible] slow.

Not only [illegible] the south-east now [illegible] stronger competitor. Bristol, just across the Severn Bridge, is also emerging as a viable alternative for a company relocating out of the south-east. Bristol has suddenly found itself with surplus office space and labour and as a city with a strong financial tradition it must now become a serious competitor to South [illegible] for any [illegible] looking to relocate.

The merger in the US between Chemical Bank and [illegible] Hanover Trust [illegible] question-mark. [illegible] built [illegible] highly-successful [illegible] operation [illegible] accounts and [illegible] it [illegible] Cardiff in 1983. The merger means that all the companies' [illegible] operations will [illegible] possibility, [illegible] the Cardiff bus[illegible] be affected.

Mr Phil Morgan, [illegible] of [illegible] financial services [illegible]tive, [illegible] changes [illegible]ing place [illegible] world banking offer opportunities [illegible] as threats. "The move to increasing size by the European finan[illegible] organisations [illegible] the [illegible] of American [illegible] Japanese banks to set up in Europe before the end of next year offers considerable scope for South Wales.

"These banks and insurance companies may still want their head offices to be in London but they will be looking elsewhere for their support operations. South Wales is excellently situated to win the back-office support work that these concerns will want," he says.

All the [illegible]ors in almost every field [illegible] now in Wales, Mr Morgan adds. "The importance of that is that in almost every sector today it is impossible for the small concern to give the depth and range of facilities necessary for investment and other decisions.

"With all the big names resident in Wales the country is in a strong position to do everything that a company can want. That is a very big step forward for the economy."

Anthony Moreton

Philip [illegible] "We don't sell [illegible] on price"

Welsh Development Agency

Gateway to the help on offer

"WE DON'T sell [illegible] just on questions of price," [illegible] Mr Philip Head, [illegible] new [illegible] executive [illegible] Development Agency.

By this he means that companies are not being drawn to Wales solely because of the help on offer.

But although the comparative cheapness of setting up in Wales may not be everything, it certainly helps if a company keep can keep its costs low through what is, in effect, a subsidy.

[illegible] are development [illegible] intermediate [illegible]. This means they qualify [illegible] government help. Nowadays, [illegible] means regional [illegible] assistance. As the name implies, that is more discriminatory than the old regional grants. But the help can still be substantial. [illegible] out that for [illegible] (not Wales), [illegible] could [illegible] 30 per [illegible] a start-up cost.

South Wales and other parts were also coal and steel areas. [illegible] is [illegible] European Coal and Steel and Coal Community Fund. Some areas of Wales are designated Objective 2 under the European Regional Development Fund, and thus qualify for infrastructural assistance. There can also be help for training from the European Social Fund.

Last, but by no means least, there is the WDA itself.

It [illegible] divisions. [illegible] Development International [illegible] investment arm of the WDA. It *had a record year in 1990-91,* attracting 147 projects which should generate £585m of capital investment.

Other sections are involved in rural development, land reclamation, investment management and business services. Most significant of all, for purposes of attracting [illegible]nies and helping others expand, there are wide property activities.

The WDA manages a portfolio of around 18m sq ft of industrial and commercial property. In the 1990-91 accounts this was valued at nearly £300m.

As with government assistance, the nature of the WDA's factory and office building is changing. There is a greater drive to involve the private sector. Welsh Property Venture (WPV) was established in 1989 to promote joint venture opportunities between the agency and private developers.

In its first full year it exceeded its target of 500,000 sq [illegible] *of building* [illegible] sq [illegible] building completions. [illegible] leverage [illegible] 1:4.3, i.e. [illegible] public [illegible] for every [illegible] of private [illegible].

[illegible] WDA [illegible] its [illegible] build programme and in [illegible] completed [illegible] sq ft [illegible] and commercial floorspace, [illegible] and bespoke.

The [illegible] money [illegible] property [illegible] funds [illegible] in 1990-91, [illegible] from [illegible] government. Much of [illegible] from property, through rents [illegible] disposals.

But the [illegible] cheap [illegible] for [illegible] rent, [illegible] well make investments, represents [illegible] of incentives for companies. [illegible] average rent per sq ft [illegible] property let by the WDA during [illegible] year was £3.10, which is cheap compared with other parts of the UK.

What Mr Head [illegible] by [illegible] price is not the only [illegible] [illegible] *that, even with subsidy* and assistance, if other [illegible] right, companies will [illegible].

"Toyota, [illegible] of [illegible] manufacturing [illegible] in Britain in [illegible] Derbyshire. [illegible] only [illegible] engine plant. [illegible] area," Mr [illegible].

[illegible] is important [illegible] the margin in choosing [illegible] place [illegible]. What [illegible] package on [illegible].

Many [illegible] they [illegible] usually have [illegible] pool of skilled labour. [illegible] traditionally [illegible] wage [illegible] compared with other parts [illegible] Britain. [illegible] that the workforce [illegible] not [illegible]vily unionised, industrial relations are [illegible] labour [illegible] well-suited for incoming manufacturing [illegible]. Single [illegible] deals and shift working [illegible] increasingly the norm.

Cheap, skilled and compliant *labour is probably* [illegible] important as grant [illegible] in pulling in companies. But there are other factors. Even without assistance, greenfield sites are cheap. With the M4 running beyond Cardiff, communications with London [illegible] Heathrow airport outside London are good.

Equally important is that Wales can be [illegible] as [illegible] separate country. Foreign [illegible] can be persuaded of its distinct cultural and national identity: it is more than just [illegible] Britain.

With [illegible] own secretary of [illegible] Office [illegible] administrative circuits are shorter in Wales, [illegible] they are in Scotland compared with [illegible] and north-east.

Arguably the most important draw of all is that an organisation like [illegible] WDA [illegible]. The WDA pulls together the various attractions. It points [illegible] on [illegible].

Above all, the WDA actively promotes [illegible] sells [illegible]. It [illegible] representatives in the US, Japan and Germany, and [illegible] about to open an office in Brussels.

Inward investment [illegible] become [illegible] very competitive [illegible] with not only Scotland [illegible] Ireland, but [illegible] European countries, such [illegible] Denmark and Portugal, setting out their [illegible] attract grants.

[illegible] in [illegible]. In [illegible] early days it [illegible] overshadowed by its [illegible] equivalent and the Irish development agency which had been in business longer and could offer extremely attractive packages *in terms of grants,* training [illegible] and [illegible] concessions.

At [illegible]ment Agency [illegible] capture anything that moved. It [illegible] to [illegible] jobs – [illegible] jobs. Slowly they began [illegible] attract prestige projects, and persuade indigenous businesses to grow.

Mr Head says: "We are still interested in volume, but we want to target specific sectors more closely so that we can get added value and improve wage levels."

He [illegible] thinking in terms [illegible] high technology companies, [illegible] care, [illegible] products [illegible] companies [illegible] an element of scientific research.

Apart from the foreign competition, [illegible] recession [illegible] made life [illegible] difficult. "We seeing fewer inquiries, but [illegible] inquiries [illegible] through [illegible] completion. More companies are [illegible]ous," he [illegible].

Stewart Dalby

POLITICS: **Anthony Moreton** on Labour's stranglehold

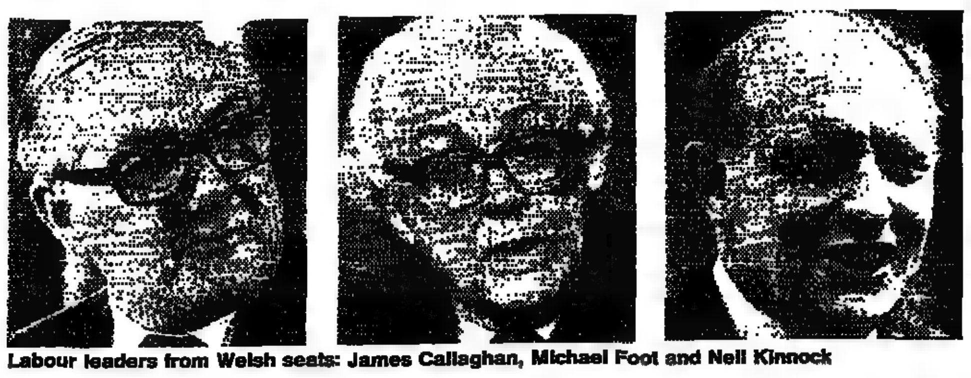
Hard climb for the Tories

FRIDAY, May 17 is a day that the government would prefer [illegible] forget. In the early hours, the Tories learnt that they had lost Monmouth, their second safest parliamentary [illegible] in Wales.

As the returning officer intoned the news in Abergavenny's leisure centre that Sir John Stradling Thomas's [illegible] majority had [illegible] turned at [illegible] by-election *into* [illegible] *Labour* majority [illegible] 2,406, Mr Roger Evans, the Conservative candidate, his [illegible] and his supporters listened glumly. By chance, that Friday was the start of the Labour party's annual [illegible] conference and hours later Mr Huw Edwards, [illegible] victor, [illegible] being [illegible] Mr Neil Kinnock, his [illegible] leader, and [illegible] eral hundred [illegible] in Llandudno.

A disappointed [illegible] Hunt, [illegible] Welsh Secretary, was having [illegible] to [illegible] the [illegible] that a [illegible] had [illegible] the drive [illegible] the Con[illegible] party a viable force in [illegible]. [illegible] result was [illegible] worst by-election [illegible] the Conservatives [illegible] suffered during [illegible] present parliament; two months [illegible] Valley had [illegible] Liberal [illegible] with [illegible] swing [illegible] in [illegible] swing [illegible] Eastbourne, again to the Liberals, had been [illegible] per [illegible].

Put in [illegible] context, [illegible] swing to Labour [illegible] Monmouth, at 13.5 per cent, could be seen [illegible] almost [illegible] "success" in dam[illegible] limitation terms. But [illegible] lowed the loss in Wales of the [illegible] Glamorgan [illegible] years earlier.


Labour leaders from Welsh seats: James Callaghan, Michael Foot and Neil Kinnock

Almost [illegible] the Conservative party [illegible] it was capable of breaking the stranglehold [illegible] the Labour party held on [illegible]. At the 1983 general [illegible] the [illegible] gained four constituencies and ended up with 14 of [illegible] principality's 38 [illegible]. Labour [illegible] if not reeling, definitely hanging [illegible] industrial [illegible] in the South [illegible] valleys, [illegible] they traditionally weigh [illegible] than count majorities [illegible] top 30,000.

Although [illegible] set[illegible] for [illegible] in [illegible] Mr Peter Walker, the incoming Secretary of State, [illegible] his [illegible] caring Conservatism could convince the people [illegible] was a healthy [illegible] grip [illegible] by Labour in so many places.

If the [illegible] being marginalised, as they have [illegible] in Scotland, Mr Hunt [illegible] a mountain to climb. [illegible] with a majority [illegible] 13,000 in [illegible] Wirral, which [illegible] onto north Wales, he [illegible] desperate fight [illegible] to hold the party's remaining [illegible] seats. Three [illegible] these are real marginals, [illegible] cushioned by [illegible] majority [illegible] Only [illegible] the [illegible] has a majority [illegible] runs into five figures. In such a situation, MPs brush up their CVs [illegible] put their faith in the weather, the [illegible] Tarot cards – [illegible] anything except [illegible] electorate.

[illegible] Hunt's [illegible] been [illegible] as Labour [illegible] sharpened [illegible] in [illegible] past [illegible] dozen [illegible]. It [illegible] group [illegible] MPs such [illegible] Mr Alan [illegible] and Mr [illegible] Morgan from Cardiff, Newport [illegible] Mr Paul Flynn, Torfaen's Mr Paul Murphy [illegible] Caerphilly's Mr Ron Davies, several of [illegible] as ministerial talent. [illegible] has [illegible] improved in [illegible] constituencies. Winnable [illegible] targeted [illegible] all the aids of the modern com[illegible] society employed – something [illegible] usually [illegible] the Tories.

Labour, happy to be [illegible] to "ignore" [illegible] of its own [illegible] in the knowledge that [illegible] cataclysmic upset [illegible] be [illegible] to suffer defeat, [illegible] into [illegible] election aiming [illegible] win [illegible].

While [illegible] Tories [illegible] battered, their cause [illegible] not completely lost. Curiously, they [illegible] win [illegible] even if [illegible] a strong swing against them. [illegible] has [illegible] number [illegible] constituencies where the [illegible] spread fairly thinly [illegible] four [illegible] dates.

Strategic voting [illegible] throw up unexpected results. This happened [illegible] in Ynys Mon, [illegible] Cymru, [illegible] Nationalists, captured [illegible] from the Conservatives [illegible] once been Labour. The [illegible] regain [illegible] with [illegible] little luck [illegible] they [illegible] Brecon and Radnor, real fingernail country, [illegible] Mr Richard Livsey won in [illegible] by-election [illegible] Liberal [illegible] from [illegible] in [illegible] (it [illegible] been Labour in [illegible] 1970s) and now [illegible] by just [illegible].

Plaid Cymru appears [illegible] firmly established in [illegible] in [illegible] Caernarfon and Meirionnydd [illegible] Conwy and [illegible] Liberals' other MP, the highly-popular Mr [illegible] Howells, [illegible] equally assured [illegible] gracing the [illegible] once [illegible] from [illegible] Ceredigion and Pembroke North [illegible].

At the [illegible] tier of government Mr Hunt has [illegible] the process [illegible] the reorganisation [illegible] that [illegible] undertaken contemporaneously in England and Scotland. He has proposed a major shake-up in which the [illegible] counties and the 37 [illegible] councils disappear and a [illegible] tier of all-purpose councils is introduced in [illegible] areas.

It is an irony that will not go [illegible] on him [illegible] this course largely undoes [illegible] his predecessor [illegible] in 1974. Then Mr Walker, who was at the time environment secretary in the Heath government, introduced an enormous reorganisation of local government that was aimed at undermining Labour's stranglehold on the large cities and industrialised counties of Britain.

That reorganisation has been overturned. The Greater London Council has [illegible] abolished as [illegible] the English [illegible] ropolitan counties such as West Yorkshire [illegible] Midlands. All that remains are the unloved counties of Avon, Humberside and Cleveland and a lot of smaller councils with names to which no one can put a geographic face.

In Wales the main effect of the reorganisation was to reduce the counties from 13 to eight. Now Mr Hunt [illegible] they, too, should disappear although [illegible] county names, such as Montgomeryshire, will reappear – this time as unitary authorities. Mr Hunt has firmly set himself against the introduction of an [illegible] Welsh assembly. [illegible] everyone [illegible] his own party agrees on that, and [illegible] broadly in favour of an assembly. As he knows, the Welsh Secretary can expect considerable flak on this subject.


[illegible], which has been manufacturing colour television sets in Bridgend for 18 years, is to move production to Pencoed

INWARD INVESTMENT

Stayers and subsidy seekers

SONY'S decision [illegible] invest £147m [illegible] factory [illegible] in Mid-Glamorgan [illegible] year. [illegible] Japanese company has [illegible] manufacturing [illegible] televisions at Bridgend in South [illegible] for 18 years.

[illegible] will now [illegible] colour [illegible] production from Bridgend industrial [illegible] the greenfield [illegible] nearby Pencoed. This will release [illegible] the existing [illegible] expand [illegible] ray tube manufacturing operation.

The new factory will include production [illegible] colour [illegible] and computer display monitors, a [illegible] development [illegible] and a multi-purpose [illegible] facility.

It will eventually provide 1,400 jobs, [illegible] mix of both [illegible] and semi-skilled. Training will [illegible] provided.

The Welsh Development Agency has thus continued [illegible] make big catches in the [illegible] petitive business of attracting investments.

[illegible] Airways decided to build [illegible] new maintenance base for its [illegible] at [illegible] Airport. [illegible] should lead to 1,200 jobs and involve a capital investment of £100m.

[illegible] Toyota said [illegible] would build [illegible] £140m [illegible] plant on [illegible] in North Wales, while Bosch announced plans for [illegible] alternators factory outside Cardiff at a cost [illegible] £120m.

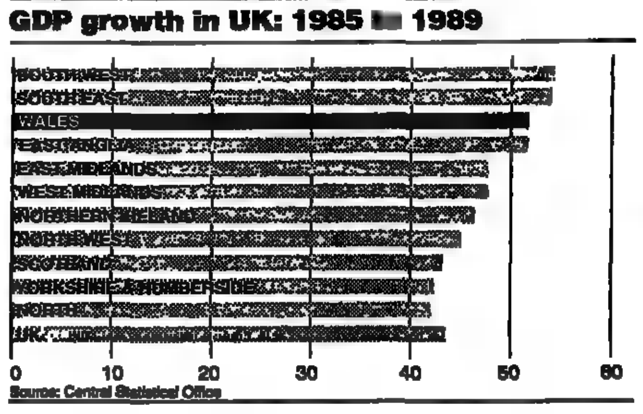
In all, [illegible] are now 330 foreign manufacturing concerns in [illegible]. There are 41 from Japan, and [illegible] usually [illegible] a lot [illegible] publicity. It is claimed that this [illegible] Japanese companies in Britain, [illegible] than [illegible] 20 concerns in Telford and [illegible] in Milton Keynes. However, [illegible] has also pulled in 150 companies from Europe [illegible] from North America.

[illegible] large incoming foreign [illegible] are the ones [illegible] news but they are not the [illegible] picture. Around half the investment [illegible] from British or indigenous companies [illegible] from expansions by already established foreign companies [illegible] as Sony.

The WDA, in [illegible] annual report for 1990-1991, [illegible] had a [illegible] attracting [illegible] projects, involving [illegible] capital investment. This could pave the way [illegible] jobs.

[illegible] the WDA [illegible] up in 1976, nearly [illegible] committed [illegible] invested and [illegible] than 60,000 jobs have [illegible] safeguarded.

GDP growth in UK: 1985 [illegible] 1989



Source: Central Statistical Office

So it seems that the WDA and other agencies have been successful in attracting companies [illegible] help achieve the [illegible] goal [illegible] creating jobs [illegible] sifying [illegible].

Like other old industrial areas, Wales had [illegible] pattern of dependence on a few big employers. Tw[illegible]ty years ago, [illegible] coal and [illegible] engineering [illegible] transport industries accounted for a third of all [illegible] jobs.

The [illegible] of the late [illegible] and early 1980s hit Wales particularly hard. [illegible] steel industry [illegible] much reduced and coal mining [illegible] virtually dis[illegible]. There are just [illegible] left in [illegible].

This time [illegible] downturn in the economy [illegible] had [illegible] effect [illegible] white-collar [illegible]. The early 1980s [illegible] hit [illegible] concerns.

[illegible] some [illegible] industries. TSB general insurance and Bisley Office Equipment both [illegible] up operations in Newport. National [illegible] Institution [illegible] Lloyds Bank moved [illegible] to Swan[illegible].

Despite [illegible] financial [illegible] initiative by Mr [illegible] Walker when [illegible] was Welsh Secretary, [illegible] principality's industries remain predominantly in manufacturing. According to the WDA, around 80 per cent of new investments are in manufacturing companies.

But it is a different kind of manufacturing economy. It is more diversified, has less reliance on a few large employers and has a greater proportion of science-based or high technology concerns.

[illegible] has caught up with [illegible] if [illegible] bit later than in the [illegible]. Unemployment [illegible] 8.8 per cent overall, compared with a national average of 8.1 per cent and 6.9 per cent [illegible] the south-east.

Statistics in the local news[illegible]pers indicate [illegible] about two-thirds of manufacturing companies are not working at capacity. Business [illegible] and bankruptcies are growing, and there [illegible] lot [illegible] empty [illegible] property, [illegible] in Cardiff. The [illegible] admits that [illegible] climate [illegible] become [illegible], with fewer inquiries. Gaining investment is harder [illegible].

Yet it seems unlikely that [illegible] will [illegible] hit as [illegible] this time [illegible] it was in the [illegible] the [illegible] downturn [illegible] the question [illegible] whether companies which [illegible] themselves in [illegible] will disappear in [illegible] conditions. Everyone connected with promotion [illegible] local [illegible] has in [illegible] and 1970s [illegible] governments [illegible] the day tried [illegible] encourage companies to go [illegible] the [illegible].

Often, [illegible] branch factories [illegible] national or international companies [illegible] when [illegible] economic [illegible] nasty [illegible] the [illegible].

[illegible] train from [illegible] to [illegible] a businessman [illegible] me he was [illegible] WDA about [illegible] plastics [illegible] represented. Only small, with turnovers of about £5m to £6m, they had been in [illegible] and were now thinking of moving [illegible] they faced difficulties [illegible] the [illegible] had [illegible] up.

One company was considering a move [illegible] and the other to Kent. Neither of these places was an assisted area as such, but in both cases help was on offer.

Mr Philip [illegible] chief executive of the WDA, says that some small companies do try [illegible] more help, while [illegible] or move [illegible]. But most of the [illegible] are more durable than those in the 1960s and 1970s.

Over 40 per cent of all projects in 1990-91 were to expand existing companies.

The Japanese, in particular, tend to be stayers according to Mr Head. Given the capital outlay involved and the individual corporate cultures which the Japanese like to develop with their workforces, it is unlikely that they will decamp to Portugal or Belgium in a hurry.

Mr Head feels that subsidies and assistance are not the only factors that draw companies to Wales. Indeed, they [illegible] often not even the main influences.

Stewart Dalby

NET PRODUCT AND FARMING INCOME	£million		Indices*	
	1989	1990†	1989	1990†
NET PRODUCT				
UK	4,866	4,954	97.9	91.1
of which, England	3,807	3,885	94.2	87.9
Wales	275	284	98.7	93.0
Scotland	504	541	114.5	112.1
N Ireland	281	244	132.6	105.4
FARMING INCOME				
UK	1,513	1,296	107.3	84.0
of which, England	1,148	967	91.9	70.8
Wales	53	41	144.7	101.6
Scotland	152	172	456.9	470.9
N Ireland	160	116	174.5	115.6
TOTAL INCOME FROM FARMING				
UK	2,265	2,113	102.9	87.7
of which, England	1,696	1,560	93.7	78.7
Wales	146	145	102.2	93.0
Scotland	212	239	205.4	211.3
N Ireland	212	169	145.5	105.9

*In real terms, deflated by the RPI. 1985 = 100. †Forecast Note: the figures for farming income cover farmers and spouses only, while total income takes in those with an entrepreneurial interest in the industry, ie non-principal partners and directors and spouses.

Source: Farm Incomes in the UK, 1990, Ministry of Agriculture, Fisheries and Food

AGRICULTURE

Turmoil over EC plans

PENTREGWYN lies on the side of Epynt, a mountain range where the only noise besides that of sheep is of the wind in the trees. From the farm's front door there are stunning views across the valley and the Bran, its gentle stream, toward Brecon six miles away.

But views do not buy vegetables and the Joneses who farm Pentregwyn – Bryan and his wife Fiona – are at the sharp end of the problems that face everyone in the Welsh farming community, especially in the upland areas of mid-Wales.

Bryan Jones, together with his father Roy and brother Owen on next-door Gwarthllan, have worked the area efficiently for years.

As with most farmers everywhere, farming is more than a livelihood: it is a living, a way of life. Now, like others throughout mid-Wales, they are having to come to terms with changes in agriculture forced on them by the need to control the colossus which the EC's common agricultural policy has become.

Ten years ago they were predominantly sheep farmers; today their 211 acres are home to 45 cattle and 450 sheep.

"There is great uncertainty about the future," Bryan Jones says. "Costs are rising, prices falling and all the farmers around here are under pressure." A report this summer on future agricultural prospects in mid-Wales showed how farming would have to change even further if it was to survive. Farming would become almost a part-time occupation, wrote David Bateman, professor of agricultural economics at University College, Aberystwyth.

Farmers would have to supplement their incomes by doing other things. Bryan Jones already knows the truth of this. He has become an agent for Osmond's, a producer of animal nutrition products.

Professor Bateman's report pointed out that the rate of decline in agricultural incomes in the 1980s was "significant" despite the vital role the industry plays in the economy of mid-Wales. Prices of all the main products were lower towards the end of the decade than at the start – by some 10 per cent for cattle and milk and by 15-25 per cent for sheep products. This year, it is hard to give the wool away because of world oversupply.

Output of cattle and milk has also declined in mid-Wales – by between 9 and 12 per cent – though the sheep farmers have fared better since the profitability of the sector in the early 1980s led to an expansion of some 29 per cent. But with interest rates rising sharply, other costs going up and government support levels coming down, economic pressures on those earning a living from farming have increased and average incomes have fallen since people tend not to move out of the industry.

But Prof Bateman believes that this trend might be reversed in the years ahead as the farming community is ageing so that its numbers will decline, leading to a rise in incomes. What worries Mr Glyn Davies, chairman of the Development Board for Rural Wales, a quango set up to regenerate the economic life of the area, and himself a sheep and cattle farmer near Welshpool, is that the industry is becoming subsidy-dependent.

"Twice as much subsidy is being paid for sheep as the price we get for it. That cannot be a good thing." The development board commissioned the Bateman report and has accepted that it must do something to underpin the sector.

So it is helping to build an abattoir in Llanidloes for sheep and lambs, entering into partnership with the area's main Training and Enterprise Council to provide business advice, assisting an animal-feed company to expand and increasing its grant to Food Promotion Wales, which co-ordinates the marketing of Welsh foodstuffs, from £15,000 to £100,000 a year over the next three years.

In the background, still, are the proposed changes emanating from Mr Ray MacSharry, the European commissioner for agriculture. These are strongly opposed by Mr John Gummer, the agriculture minister on behalf of Britain's farming industry, but Mr Davies and Prof Bateman believe that many of the changes could benefit mid-Wales.

Significantly, the Farmers' Union of Wales, which is much closer to the small Welsh farmer than the National Farmers Union, which is dominated by the big English farmers, has played down criticism of the MacSharry plans.

The essence of these is modulation, which in the jargon of Eurospeak means discriminating in favour of the small man.

Mr MacSharry has produced proposals which would benefit farmers with up to 750 sheep or with milk quotas up to 200,000 litres a year. About half the Welsh farmers come within these brackets and if the quota figure were raised to 300,000 litres it would encompass virtually every one of them.

Mr Gummer is opposing these limits and while it is acknowledged he is doing so because the proposed policy is intended to help poorer farming countries such as Portugal, Greece and Italy, the MacSharry scheme could be of benefit to mid-Wales and much of the rest of the principality.

The arguments in Brussels illustrate just how far the ability of government, or government-appointed bodies such as the development board, to help with local issues is now severely circumscribed. A policy that may be geared to southern Portugal or the north German plain now has to be accepted, willy-nilly, for Wales.

Prof Bateman is not one to search for a crock of gold at the end of a rainbow. It is of no use to the Joneses or Davieses of mid-Wales since their land is unsuitable for such conversion. But they can hardly be blamed for thinking of how they will be able to make ends meet in 10 years' time.

Anthony Moreton

Stewart Dalby looks at the impact of a power struggle

Privatised utilities go to war

ONE OF the more diverting pastimes on the Welsh corporate scene over the past year has been to watch the small war between Welsh Water and South Wales Electricity.

Ostensibly, this is a little conflict between one highly profitable privatised utility trying to get control, or at least have a say in the affairs, of another smaller but also highly profitable privatised utility.

But the tussle has broadened to the point where questions of Welsh nationalism have become involved and Mr John Elfed Jones, the chairman of Welsh Water, has been accused of trying to turn his company into a sort of monopolistic Wales PLC.

Hostilities started last December when Welsh Water bought a 10 per cent stake in Swalec when it went private. The shareholding has since been raised to 14.9 per cent.

Mr Jones has said that this is not with a view to a full takeover. That would be difficult because the government holds a five-year golden share in Swalec and its articles limit any shareholder to a maximum stake of 15 per cent.

(It would difficult but not impossible. The 15 per cent threshold could be removed if the Welsh Office and the Department of Trade could be persuaded that a merger of the two companies would create savings for customers and benefits to shareholders.)

The reason for the shareholding is to concentrate the board of Swalec's mind on Mr Jones's belief that there could be savings from co-operation between the two utilities.

A report commissioned from Kleinwort Benson Securities, WW's stockbrokers, said joint ventures could result in savings of at least £10m and possibly a lot more.

The areas that WW has in mind include joint billing, joint engineering and maintenance. At the moment water users can pay their bills in Swalec's offices, but that is the extent of *co-operation*.

The attempt at joint ventures is line with Mr Jones's philosophy of expanding WW into areas where there are synergetic benefits. Yes, he does want to build a strong indigenous Welsh company which is capable of competing on a world stage. Far too many concerns in Wales, he believes, are satellites or branches of international companies where control over jobs and investment rests outside the country.

Critics say the profits should be used to concentrate on core business and on clearing up the environment. Any profits after that should used to reduce prices to the benefit of the consumer. There is an implicit feeling that the WW company should not be using its resources to build a bigger monopoly than it already has, even though it would be a Welsh monopoly rather than an English one.

John Elfed Jones, across the Taff from Cardiff Arms Park

In the year 1990-1991 Welsh Water made pre-tax profits of £128m on turnover of £293m. This was a 32 per cent increase. The dividend was increased by 16.4 per cent.

The reason for the good profits was that the company's debt was "forgiven" when it was privatised, and the company was given a large amount of money as a "green dowry" at the time. Welsh Water managed this dowry well and in 1990-91 it made £21m profits from the increase in interest rates over 1990-1991 alone.

The company also started life as a private company with a generous "J" factor. That is the amount it is allowed to increase prices over the retail price index. WW was given a "J" factor of 6.5 per cent and this meant it could increase prices by around 15 per cent.

Mr Jones admits that WW is in practice a monopoly. "That is why there is a regulator," he says. "If the regulator finds we are charging too much for our services he can tell us to reduce prices.

"I get fed up with having to apologise for being successful."

He denies that the core business is in any way ignored. "Nothing is allowed to interfere with the safe management of our core business."

He points out that the company spent £25m on environmental improvements over and above the capital expenditure programme. It spent a further £20m on other improvements outside the capital programme. The investment in 1990-91 was £160m and is scheduled to remain at or above this level to the end of the century.

At the same time, Mr Jones has branched out into related businesses. He has bought five country house hotels. The logic here is that they are close to water or good walking and climbing territory. He wants them to develop along the lines of Scotland's fishing lodges.

He points out that Welsh Water is the largest land owner in Wales with 93,000 acres.

He has also set up a joint venture in environmental consultancy which operates in 20 countries and which is also involved in engineering design and maintenance. He is looking at the possibilities in waste disposal.

Now, of course he has his eyes on South Wales Electricity. Swalec does not cover all of Wales, as Manweb operates in the north of the country. Swalec has around 2.1m customers compared to WW's 3m.

A year ago, Swalec looked vulnerable. A loss of its supply business to utilities outside the country and a poor performance from the retail sector resulted in a low return on capital employed.

In 1990-91 pre-tax profits were £58.1m, an improvement of 31 per cent. The dividend rose by 6 per cent.

Mr Jones, who had spent 15 years in the electricity business, was one of those who realised the effective monopoly on distribution was the key to profits irrespective of who was the end-supplier of electricity.

Mr Wynford Evans, the chairman of Swalec and an erstwhile friend and fishing company of Mr Jones, admitted that prices for distribution had gone up but said in announcing the latest results last July: "We contained our recent tariff increase within the limits set by our regulatory formula, and this increase was more than 5 per cent lower than Welsh Water's."

Swalec was cutting costs by 4.5 per cent in real terms and working on more efficiencies.

With the company profitable and looking to become more so, there is little enthusiasm for a closer embrace from Welsh Water. Mr Evans said: "My fellow directors and I are wholly opposed to any concept of a multi-utility grouping which would bring no material benefits and would be contrary to the interests of customers and shareholders."

Yet Mr Jones genuinely believes there is an industrial logic to co-operation and seems prepared to go to great lengths to press his suit. This little war could run for a long time.

What the A55 expressway could mean for North Wales

The road to opportunity

AT THE end of next month the Queen will open the £190m crossing that will take the A55 expressway under the Conwy in the shadow of one of Britain's greatest castles.

The mile-long tunnel, technically an immersed tube, is the first of its type to be built in Britain and the choice of a tunnel rather than a bridge to cross the river was taken to minimise the environmental impact on Edward I's fortification which already has one of Telford's bridges alongside it.

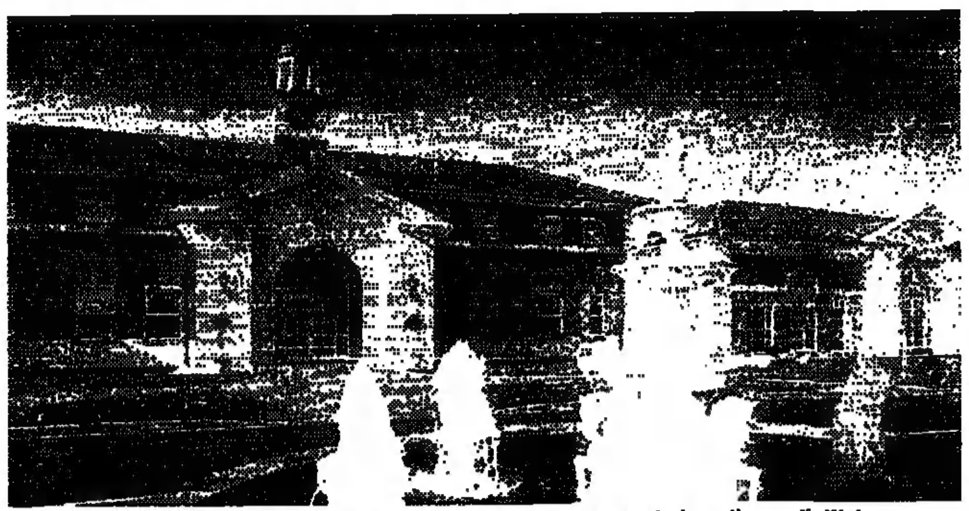
The A55 was described two years ago by Mr Peter Walker, then Secretary for Wales, in a magnificent piece of hype, as "the road to opportunity". With the Conwy crossing open, only one small section remains to be put in place before the dual carriageway links the English motorway system in the east and Bangor in the west.

In the next few years the road will cross the Menai Strait and run on to Holyhead.

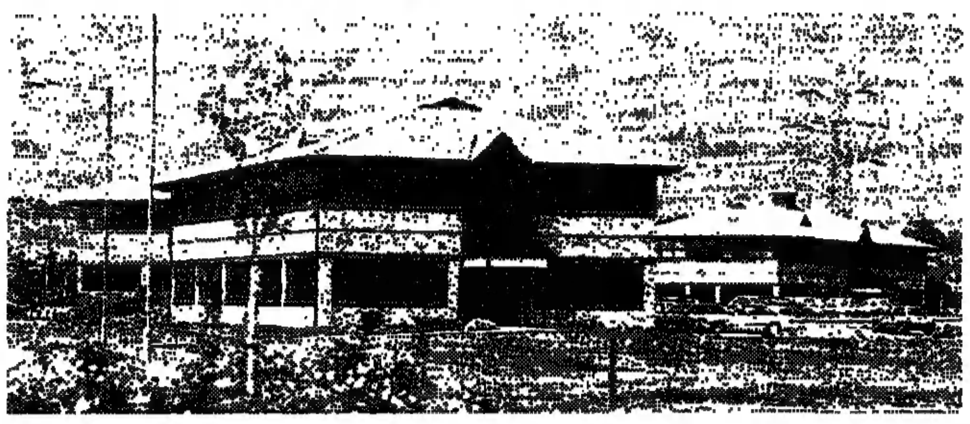
The road has already had an effect in sucking investment westward. One company, Euro/DPC, a subsidiary of Diagnostic Products Corporation of Los Angeles, chose Llanberis, in the shadow of Snowdon, this year as the site of its European headquarters for the production of medical diagnostic products, creating 200 jobs in the first instance.

One arrival does not signal an economic upturn, though, and the economic consequences of the road have still to be proved.

The improvement in the North Wales economy which has undoubtedly taken place in the area centred on Wrexham has still to percolate westwards.



The A55 expressway has become a magnet for hotel development along the north Wales coast. The first four-star hotel to be opened — which caters for the business community — is the St David's Park, (above) at Deeside, on the business park



The eastern part of Clwyd, which butts onto England, has been a notable growth sector in the past few years with the arrival of some very big names, such as Toyota. Its engine plant complements those of long-time industrialists such as Pilkington.

Even here the recession has taken its toll. Mr Richard Ashton, the county's marketing manager, admits that the level of inquiries is not running as high now as a year ago. "We have certainly seen a downturn," he says. "Companies are reluctant to commit themselves in the present climate."

Yet there are welcome signs. Hamilton Brothers, the oil and gas concern, is to build a gas-processing plant at Point of Ayr where it will bring ashore gas and oil from its "significant" find in block 110/13 in the Irish Sea north of Rhyl.

"This will be a important investment for the area," according to Mr Ashton, "and will mean an infusion of new jobs, up to 500 during the construction phase and about 50 permanently when the station is operational and possibly as many as 150 indirectly."

Mr Steve Morgan is watching the economy closely. As chairman of Redrow, the largest privately-owned construction company in Wales with a turnover of £110m a year, he has just completed the first phase of the £120m St David's business park that has already attracted Scottish Amicable, Bank of Wales, Barclays, Allied Dunbar and National Grid. He has also put up the four-star St David's Park hotel on the site.

"We have gone a stage further than just creating a business park," he says. "We have just completed the only purpose-built day nursery in Wales there. This is a major attraction for any employer since he can offer jobs to married women who know their children will be both near them and safely looked after.

"Wales has come a long way in the last five years and, while margins in our business are tighter as a result of the recession, there is great optimism that this part of the country will continue to expand. The upgrading of the A55 expressway has presented a number of development opportunities right along the coast. Now Clwyd is just 30 minutes from Manchester's international airport and no part of north Wales is much more than an hour away, which gives us great competitive pull."

The Welsh Development Agency is seeking to capitalise on the possibilities of revitalisation offered by the completion of the road by pumping more money into its urban programme. Major projects are to be undertaken at Holyhead, Rhyl, Caernarfon, Bangor and Conwy while feasibility appraisals are being undertaken over the next 12 months in Wrexham and Deeside.

"The main thrust of our activity will be concentrated on Holyhead and Rhyl," Mr David Farnsworth, the WDA's director in charge of its urban programme, says. "We can see great market opportunities in these two towns. Each has declined, economically and environmentally, and their decline is clearly affecting the economy of north Wales.

"While we are looking at specific towns this year, we also want to look at Deeside, which is really a mini-conurbation. By the end of this month we should have worked out a multi-million pound programme for the area which can be put to both the agency and the local authorities.

"Our aim is avoid the experience of the English urban development corporations such as London and Bristol which have been at odds with their local authorities and we have taken the councils into our thinking at every stage."

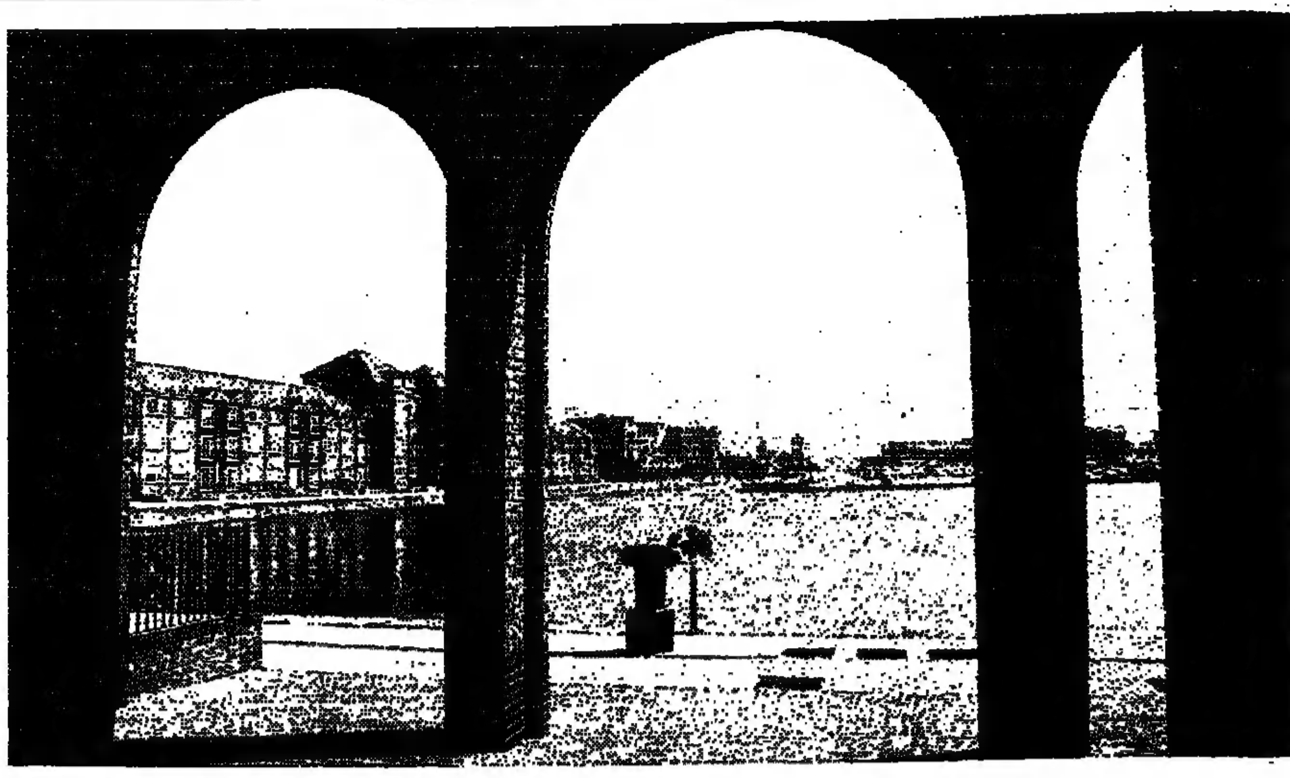
The success of all these projects – the road, the urban regeneration, the capital spending – will eventually be measured by the extent to which the more westerly parts of north Wales achieve greater prosperity.

Gwynedd county council has its own plans to create factories and site in small towns like Porthmadoc, Penrhyndeudraeth, Llandegai and Caernarfon. It is working closely with the WDA to enhance its health care industry, which is growing, and media sector, which is strongly entrenched (especially in television and radio).

Mr Dafydd Jones, the county's economic development officer, says that with the increasing acceptance of the concept of electronic homeworkers and telecentres as a result of advances in telecommunications technology, there is no reason why small businesses should not settle and prosper in Gwynedd.

The WDA has actually put money through a rural initiative into a technology resource centre in Porthmadoc. Mr Jones says that with the county's environmental resources there could hardly be a better place in which to work. From his office he can see Caernarfon Castle, another of the world's great castles, and over his shoulder is Snowdon. It is, as he says with remarkable understatement, not a bad place in which to live and work.

Anthony Moreton



Swansea Dock - now the future looks brighter

Anthony Moreton finds a revival of confidence at the docks

Liberated ports work hard to capture more trade

IT HAS become conventional wisdom to assert now that ports on the west side of Britain are seriously disadvantaged as a result of the country's trade increasingly moving towards Europe.

One who has never accepted that port operators should sit back and watch them gently wither is Mr Govan Davies at Pembroke Dock who argues that the improved road network would offer unparalleled opportunities for Welsh ports in particular, as well as others on Britain's west coast, to capture trade that might have gone to docks further east.

Rising trade this year within the Milford Haven port complex, which includes Pembroke Dock, lends substance to the Davies view; throughput was up 11 per cent between January and July this year compared with the same months in 1990.

The Davies view is gathering strength. Abolition of the national dock labour scheme two years ago has liberated the five South Wales ports controlled by Associated British Ports (ABP) – Newport, Cardiff, Barry, Port Talbot and Swansea – one of which could have closed before the end of the decade.

"It is an exciting time in port management. Operators are putting in money. They were loth while the dock scheme was in force"

Now, according to Mr Stuart Bradley, managing director of ABP, the situation has been transformed. "It is an exciting time to be in port management," he says. "We are getting operators into the docks, who are putting their own investment in. They were extremely loth to do this while the dock labour scheme was in force."

He points to the example of Newport where Silcock Express and International Motors have both taken unused land and developed a car-handling export-import business. This investment is not unique in Wales. Sealink Stena is coming to the end of a £1m project at Holyhead and the oil company Elf, which bought the Gulf refinery at Milford Haven last year, is undertaking a large amount of work in the port which should increase the throughput.

Mr Maurice Storey, a director of Sealink Stena, says that the Holyhead programme has included infrastructure work as a joint venture with British Rail and Anglesey Council to complement work being undertaken in the town by the local authority and the Welsh Development Agency.

Within the port the investment has gone towards a deep-water berth. Holyhead will now be able to berth the new generation of large roll-on roll-off freighters which were previously kept out because of the port's relatively shallow water. Throughput in both Holyhead and Fishguard has been expanding and Mr Storey is confident that with extra vessels, and more money spent on the vessels themselves, such as the £7m refit on the Stena Hibernia, this trend will continue.

On the Holyhead-to-Dun Laoghaire run passenger traffic went up by 10 per cent last year and the number of cars by 16 per cent. In the south, on the Fishguard-Rosslare run, passengers and car traffic rose by about 10 per cent despite the Swansea Cork Ferries bringing back a summer service and fierce competition from a Pembroke-to-Cork run.

"Traffic to Ireland has been building up by a steady 3-4 per cent a year," Mr Storey says, "which augurs well for future expansion at the ports."

Milford Haven's problems are different. Being outside the dock labour scheme, no benefits accrued from abolition. Its problems relate to the future of the trust ports, of which it is one.

Government plans to put these ports on the market will be opposed by Milford Haven according to Mr Michael Hyslop, general manager of its port authority. "Running the navigation of a port such as ours," he says, "is rather different from running a dock-oriented one. With our large oil throughput we have to be particularly mindful of the environmental needs of the area."

Milford Haven is also a conservancy authority, which distinguishes us from other ports in Wales. "Our relationship with the three major customers has also to be considered."

The port is a vital landing point for Gulf Oil, Elf and Texaco and if any one of those were to become the controlling authority on privatisation it could affect relations with the others. "For those reasons we feel privatisation is unlikely to be suitable here at the moment."

It is in the four dock labour scheme ports owned by ABP, though, that the real changes can be seen. The fifth, Port Talbot, is a slight exception. ABP owns the port but British Steel has a long lease on it and brings in all the iron ore and coking coal it needs for the nearby steelworks and for transhipment by rail to the Llanwern works at Newport. To all intents, this is a steelworks-oriented docks.

The other four were built around the middle of the last century to handle coal exports from the pits of the South Wales valleys. That trade has all-but disappeared, though there is a small but growing trade in coal imports.

The ports, Mr Bradley concedes, faced an uncertain future had the dock labour scheme remained. "They were struggling and while no decisions had been made, one wonders if they would all have been open and working in 10 years' time.

"Now the position has been completely altered and they look forward to a future with some confidence. All of them have improved their performance with total traffic since abolition up by 7-8 per cent. Barry has expanded its fruit and vegetables trade, Newport, with its nearness to the motorway system, is also doing well with fruit and there is a significant timber trade in both Newport and Cardiff.

"All the ports are operating on a low-cost basis now," he says. "We no longer have to carry the high fixed costs involved in the labour scheme and we have gained freedom of action."

ABP has one other great advantage. Through Grosvenor Waterside it is developing up to 160 acres in Cardiff for leisure, offices and hotels around its waterfront, part of the redevelopment of Cardiff Bay. The centrepiece of this development will be an opera house for the Welsh capital which will be home to the renowned Welsh National Opera Company.

Cardiff was the largest coal-exporting port in the world in its Edwardian heyday. With the opening of the opera house the area could gain a new kind of glory.

Christine Moir looks at the work of the Swansea Bay Partnership

'Manufacturing creates more jobs'

DEEP RECESSION? So what? That is the attitude Mr Ian Spratling adopts as he gets on with the job of chairing the Swansea Bay Partnership: a community of towns, county and government agency which is striving to bring fresh business to the far west of Britain.

The optimism may be professionally adopted, but the energy which is being poured into the partnership by Swansea city, the towns of Neath, Port Talbot and Llanelli together with smaller boroughs, the counties of Dyfed and West Glamorgan, and the Welsh Development Agency, cannot be denied.

That they have persuaded 32 private companies to join them in the midst of a black recession in an ambitious plan to renew the economy of south-west Wales, is a tribute to Mr Spratling's commitment and that of all his fellow executives. It also makes the Swansea Bay Partnership one of the government's better ideas in 1989.

Government backing initially amounted to a commitment to fund administration costs of £250,000 for just two years. But when the period expired last March, the partnership's remit was renewed for a further two years. It is also on the brink of winning a further year's subsidy from the European Regional Development Fund which will extend its life into 1994.

Some uncertainties remain. The government's suggestion (no more than a debating point so far) that local government should be reduced to a single layer – the so-called "unitary arrangements" – would threaten some of the partners. No-one can yet be certain whether county, district or parish councils are the most likely to be axed.

A general election before the period is up adds another factor, and a deepened or prolonged recession could strain the partnership if its members think they must concentrate on charity at home.

Short of all these elements turning sour, however, the partnership looks *both stable and effective. In fact,* according to Mr Spratling, "the next three years should be better than the last two". That is quite a claim. In the 1989-90 fiscal year new business investment in the Swansea Bay area totalled £106m. The following year that had soared to £300m and the partnership could claim responsibility for bringing in 513 new jobs, or seven of the 28 projects.

Largest of all the converts so far has been Alberto Culver, the haircare products manufacturer whose capital investment has topped £7m. But partnership officials confidently expect that figure shortly to be topped. "We have four major companies plus 30 smaller ones showing strong possibilities of moving into the region," says Mr Spratling, "and several of those are much larger than Culver".

That view is shared by Mr Mike Bourke, his chief executive, who confirms that the area is particularly attractive to US companies looking to expand eastward into the European Community and eastern Europe but wanting the reassurance of a common language, culture and political stability. "Americans feel relaxed in Britain," says Mr Bourke.

For those without the deep pockets of the top multinationals in the Dow Jones index, there is the attraction of low land prices relative to the rest of Britain. "If industrial development land costs around £800,000 an acre at Heathrow, it is only £45,000 down here," Mr Bourke points out.

Not that the new masters of south-west Wales are ready to welcome *every new arrival with open arms.* Swansea – and even more, Port Talbot and Neath – have had their fill of suffering local economies which danced to the tune of a single cyclical industry. The area never wants to be dependent again on a single employer. Today's measured development is to be based on diversity.

What that means in practice has already changed in the two years since the partnership was formed. "Last year the companies we talk to were predominantly in the service sector," Mr Spratling says. "This year they are manufacturers, mostly in light engineering. Manufacturing tends to create more jobs."

Mr Bourke shares that view: "I do not see how you can ever have an economy that is service-led. It would be like the mythical island whose inhabitants eked out a precarious living taking in each other's washing. Services must be there to support or give a push to manufacturing."

As a part of the service sector itself, the partnership's task is both to push productive industries to choose the Swansea Bay region and to support them with suitable premises and attractive commercial and social facilities. The M4 motorway connection to both London and the Midlands is a strong card in the partnership's hand. So is the stable workforce. With labour turnover of less than 6 per cent a year even in boom times, Mr Spratling says he can make a real feature out of staff loyalty.

The reciprocal of that, he concedes, is to attract companies which deserve that loyalty. *In the search for investors who* will create long-term jobs suited to the skills of the local workforce, Mr Spratling is more than ready to pay tribute to the role of the Welsh Development Agency.

"I would like to acknowledge the assistance of the WDA," he says. "In their travels abroad, they frequently come across companies that fit our profile. They pass on the names and then stand back and let us get on with it. It is a terribly good working partnership."

That partnership, plus the executives' own efforts and advisers have paid early dividends. Besides the manufacturers like Culver and Flox, the fibre optics group which invested in a £2m factory in Port Talbot last year, there have been some prize catches from the service sector. All the back office work for Lloyds Bank's Cox & King's Pall Mall branch is now handled from a *building in the Swansea Enterprise* Park, while the Inland Revenue is on the point of expanding its centre there to 551,000 sq ft, thus creating 270 jobs.

If this trend continues at the pace of the sad decline in Welsh rugby, the day may come before the end of the partnership's current remit when Port Talbot and Neath will be known for men in suits and boilersuits rather than jerseys.

River barrage schemes and the environment

Three run gauntlet of objections

THESE DAYS development in South Wales is inextricably linked to the notion of river barrage schemes – a highly controversial form of environmental engineering. No fewer than three towns in the area are building or planning to build barrages as the cornerstones of urban regeneration projects, writes Christine Moir.

Controversy has dogged all three in proportion to their size and relation to the town's central core. Thus Cardiff, where the barrage has been publicly called the cornerstone of the Cardiff Bay redevelopment, has faced the most outspoken criticism, followed by Newport, whose River Usk barrage plan will indelibly change an area running right through the core of the town.

By contrast, Swansea's River Tawe barrage, which is less central to the town and to its main development area, has successfully run the gauntlet of environmental objections and is already well advanced.

While the other two are still in the throes of the consultation process, conservation groups which had hoped to halt them seem likely to be disappointed. Cardiff's private barrage bill may have collapsed in Parliament in April, but Mr David Hunt, the Welsh Secretary, has just reaffirmed his intention to reintroduce it as a government bill in November. For its part Newport, which withdrew its bill earlier *this year, has a fixed date* – November 27 – for its reintroduction in amended form.

Supporters are daily regaining their optimism, particularly as amendments to the schemes are seen to be successful in addressing the most pressing objections to the original plans. In Newport, for instance, the nub of the criticisms had been the question of safe passage up and down the Usk for migratory fish. Mr Roger Davies, manager of the River Usk Regeneration Project, is now confident that this issue has been resolved.

"We will create a variation of the revolutionary Borland fish pass, involving twin locks which fish will be able to use to move either from higher to *lower levels or in reverse* order," says Mr Davies. "In addition, on more than half of all tides fish will be able to swim over the barrage, across half the river's width."

In Cardiff, one of the main concerns has been aesthetic: objectors have feared that Cardiff Bay would simply be sealed off by an ugly concrete wall. On September 4, however, Mr Geoffrey Inkin, chairman of the Cardiff Bay Redevelopment Corporation, was *able to unveil the final design* form of the barrage showing that Sir Alexander Gibb and Partners, the engineers, have made public access and enjoyment of the area a top priority.

The barrage itself will be landscaped to form a park similar in style and size to the town's Sophia Gardens. A freshwater lake will be created with fishing piers and groynes, backed by walled gardens, picnic areas and lavish planting on the embankment itself.

Redesigned sluice gates will not only offer greater flood protection than the originals but involve less intrusive construction. They will also be used to flush out the lower parts of the bay, improving its water quality, and have a slightly larger capacity to take into account any rise in sea levels which might be caused by the greenhouse effect.

Water quality has also been a concern at Newport but a report commissioned from Environmental Resources, independent consultants, suggests it may even be improved by the barrage.

Environmental Resources, which has been used by the European Commission, the Channel Tunnel contractors *and on the Merseyside Sea Bar*rage, points out that the barrage across the Usk will reduce scouring of the banks upstream, making it more likely that otters will recolonise the area once it has been cleaned up and replanted.

That assessment forms part of the vital environmental statement which had been delayed by two years of unusually dry weather. That delay prompted the borough council to have the parliamentary bill withdrawn.

Since May, however, the statement has been circulated to members of the environmental consultative committee which includes the National Rivers Authority, Nature Conservancy Council and a range of fishing and conservation groups, including the Gwent Wildlife Trust.

By early September only the National Rivers Authority, one of the petitioners against the original bill, had givenits *views, but Mr Davies was con*fident that the consultation process would speed up now that the holiday season is past.

One of the key amendments to the original bill, which is expected to appease many of the environmental groups, is the inclusion of an advisory committee on the management of the barrage which will be able to guarantee that it is used sensitively so as to create the least disturbance.

For its part, the local authority is all the more committed to the barrage project since receiving an economic report from management consultants, Coopers & Lybrand Deloitte, which favours the barrage above a bridge or a limited renovation of the old dockside.

The consultants believe the £42.4m barrage scheme, which involves developing 365,000 sq ft of industrial space and 515,000 sq ft of offices together with 2,400 houses, plus leisure and retail facilities, is the best chance to repair a century of neglect and dereliction and create an area which would attract new investment and quality housing to an attractive environment.

In Cardiff the docklands development corporation is *equally certain that the bar*rage is "absolutely central if we are to realise the full potential of the bay," as Mr Inkin said on unveiling the detailed design. He expects it to provide "many thousands of jobs".

The Cardiff Bay barrage is an integral part of the city's most important development project. This is not true of Swansea's barrage scheme which is somewhat peripheral to the key development areas in the Swansea Bay Partner*ship. Although the barrage* across the River Tawe will result in a clean-up of derelict riverside, create a maritime quarter and attract a £150m investment by Associated British Ports in the planned Port Tawe development, it has not received nearly so much publicity as the Cardiff barrage.

Cynics suggest that this is why it is so much further advanced. Whatever the reason, the £13m construction contract was awarded nearly a year ago, and development is expected to be completed by 1994.

In all three cases, however, environmentalists have proved that their concerns cannot simply be ignored and their fears and objections will continue to be *effective influences even* after all three schemes have been – as seems likely – approved and built.

PROPERTY

Towns that are defying the recession

ONE-OFF commercial property deals – be they lettings or investment purchases – are thin on the ground everywhere round the country. Tenants *are rarely in the mood to con*sider future accommodation needs; short-term pressures to survive mop up all the directors' energies. Long-term investors, disillusioned with the performance of their property portfolios, are in no rush to call the bottom of the market and start buying again.

Wales is not immune from these baleful influences, but it does display some defensive qualities in recession that are not shared by other regions. *Access for one: anywhere in* South Wales is little more than a hop from Bristol these days along the M4, and the upgrading of the Heads of the Valleys Road to Merthyr is reinforcing the valley towns' climb out of the coal era.

The Welsh Development Agency for another: town planners and development officers throughout the principality are united in commending the commitment and understanding that the WDA brings to its role.

A third factor is the success the people of Wales have shown in adapting from traditional heavy industries to such sectors as financial services. Success breeds success; and since thousands of insurers and investment advisers have ousted the miners of south-east Wales, a continuing stream of high tech companies has been encouraged to pinpoint the area.

These factors have developed self-confidence at local level to the point where several towns have embarked on ambitious central area redevelopment schemes in defiance of the recession.

Newport, the first town encountered on driving into South Wales, is completely revamping its centre with the help of the WDA and government grant-aided refurbishment, particularly in the High Street, is beginning to give the town a buzz.

There have been disappointments: the town was hoping to renovate its bus station as part of a £100m 220,000 sq ft commercial development by the Burton Property Trust: that is now on ice. But other ambitious projects – the 150-acre Celtic Lakes area for light *industry close to both Imperial* Park and Tredegar, and Langstone Park on the eastern edge of the town where Stakis has already opened a hotel – look promising.

Local agents report that commercial rents in Newport, while not rising, have held steady during the recession. Prime office space would command about £12 a sq ft, though the lack of recent lettings makes that figure a bit of a guess.

Industrial activity has held up better, with small units fetching £5, and those over 10,000 sq ft approaching £4.50. Agents Debenham Tewson & Chinnocks report the recent letting at £4.25 of a 25,000 sq ft newly-built unit on Queensway Meadows (a joint development by the WDA and Bailey Group) as a recent benchmark.

In the capital itself, the past year has been very quiet: the last significant office letting – at £16.40 – was last autumn when the Company of Designers, an architectural practice, took space in Sun Alliance's Windsor Place. Just out of the centre prices fall to £11.50 and there is no avoiding a verdict of over-supply.

Yet agents have detected some stirrings in recent weeks, led by industrial units which fetch £5.75 at the small end, and £5 for large units. In the city core, all eyes are peeled for signs of activity at Imperial Gate, the planned development by Regalian Properties which has not got beyond site demolition.

Cardiff's tight retail heart may also be stirring. Recent encouragement has come with the opening of the Capital Centre at the top end of the High Street which has persuaded Jaeger to move from Queen Street, previously the unassailable spot for high fashion.

On the extreme eastern edge of the Bay area the proposed Pengham Green shopping centre has not yet attracted a developer, but the county is pushing ahead with its Capital Waterside scheme to the south of County Hall, and Brain's mixed brewery, residential, retail, restaurant and studios complex, The Wharf, is selling well.

Swansea's town centre is even tighter than Cardiff which is proving no bad thing during the recession. Office rents have scarcely topped £8 and supply remains more than adequate. Yet the Enterprise Park within the Swansea Bay area is coming back to life of a sort with terms just agreed on a 110,000 sq ft industrial unit, albeit at below £2.50.

In the valleys industrial rents hover around the £3.50 mark which has not led private developers to muscle in on the WDA's patch. But retail schemes may prove more of a draw when some towns put their plans out to tender. Caerphilly and Llanelli are conducting feasibility plans at present, while in west Wales, Mr Richard Branson is sitting on a site close to Tesco ready to pick his moment. Lampeter too has a proposed centre waiting to go.

For those companies in a position to make their property moves, the increase in supply and generally quiet commercial scene, is a gift. From the WDA to county economic development departments and firms of specialist advisers, everyone is ready to tailor a proposal to suit the incomer.

One such adviser is Integra, set up two years ago by Mr Wyn Price, a former WDA official, to assist companies wanting to move into west Wales. Since 1989 Mr Price has brought forward £12m of industrial property deals on 126,000 sq ft, mostly in small factory units. Current projects, for over another 45,000 sq ft are being negotiated at Ammanford, Dafen, Bridgend and Portardulais.

Integra's deals rely heavily on grants, both from the UK government and the European Coal and Steel Community. But the number of companies seeking to take up the funds is an indication of the area's fundamental attractions.

Christine Moir

TOURISM

Drive to attract the missing foreigners

WALES HAS not done as well from tourism as it might. The country has a rich and varied environment with national parks, areas of outstanding beauty and 300 miles of heritage coast. These make up a quarter of the total land area of the principality.

There are more castles per square mile in Wales than in any other country in Europe. Most stand in magnificent surroundings. These settings, together with standing stones, hermit caves, cathedrals and churches reflect the pre-history, pre-Christian and Christian past of Wales.

Its ancient culture and distinct identity with its own language can be seen in pageants and festivals.

There are mountains, rivers and rugged coastline for activity holidays of all kinds – fishing, walking or climbing breaks.

Yet, despite all this, in relative terms, Wales does not seem to have built up a tourist industry comparable with other Celtic countries or areas with similar attractions, such as Scotland or Cornwall or Ireland, particularly when it comes to upmarket and international tourism.

In 1990 there were around 8.5m tourist trips. This probably means there were between 3m to 4m tourists, assuming an average stay of three or four nights. This was more than Cornwall which in the same year probably had fewer than 3m tourists. But Cornwall is much smaller and less accessible.

Moreover, of the total tourist "spend" of around £1.4m in 1990, day visitors accounted for £375m. Foreign visitors contributed only £117m. Comparatively speaking, this is a small proportion of what international tourism earned for Scotland.

A United Kingdom Tourism Survey (UKTS), sponsored jointly by the national tourist boards for England, Northern Ireland, Scotland and Wales, found in 1989 that Wales earned less than 2 per cent of the total foreign tourist spend in Britain and Northern Ireland.

Part of the reason why tourism lags behind is that, until quite recently, South Wales hardly needed to encourage visitors. It was an area of heavy industry: coal and steel.

True, the mountains of North Wales attracted walkers and climbers and the coastal resorts appealed to old-style bucket-and-spade holiday makers. Indeed, two-thirds of all holidays taken in Wales are on the coast. These are at bed-and-breakfast or budget hotels, or at self-catering properties or at the numerous caravan or camping parks.

The resort towns, with the arguable exception of Llandudno, do not really cater for conferences or upmarket short-break holidays.

The official attitude towards tourism has changed radically in the past few years as the realisation has sunk in that the industry is a growth area which can be a huge revenue earner for the country.

An international passenger survey recently estimated that the number of overseas visitors to the UK grew by 4 per cent between 1989 and 1990 to nearly 18m. Their spending went up 11 per cent to £7.7bn.

As the traditional industries have declined, Wales has discovered, as other parts of the UK have done, that it has assets which can be turned to good account.

The Wales Tourist Board is spending £1m over five years from 1989 in the South Wales valleys. The money will be spent on projects and environment improvements. The hope is that the money will lever out further investment from the private sector.

At the same time, the breweries have been improving their pubs and in some cases converting them to hotels. Hotel groups have also been building in the valleys, which were once neglected.

Using money available under Section 4 of the 1969 Tourism Act, the board is spending £1m each in three resorts: Llangollen, Rhyl/Prestatyn and Tenby. And £1m each will be allocated to three historic towns: Chepstow, Conwy and Llandrindod Wells.

These come under the tourist board's local enterprise and development programme. Other initiatives include: £800,000 for country house hotels, up to £600,000 for coaching hotels, up to £900,000 for development of unique attractions of national or international significance and up to £600,000 for the development of activity centres of quality.

The board will spend more than £20m to assist potential developers of all-year holiday complexes in areas of high population catchment, according to Mr Norman Poole, a director. That is apart from the £3.5m annual budget used for promotion and administration.

In all areas, the hope is that the money will be closely co-ordinated with private sector finance and that a greater proportion of private capital will be levered out.

One area in which private investment is taking place is country house hotels. Welsh Water, the privatised utility, has bought five of these. Mr John Elfed Jones, the chairman of Welsh Water is an avid fisherman, and a great Welsh patriot.

The idea is that these hotels will be developed as upmarket fishing and walking lodges, along the lines of the hotels in Scotland besides the salmon rivers. Apart from being a fisherman, Mr Jones has an interest in maintaining river quality.

Another area that seems ripe for development is first-class hotels with golf courses. At least three of these were under consideration not too long ago. One of these was foreseen as being the Gleneagles of Wales. But recession may have killed off one or more of these golf courses for the time being.

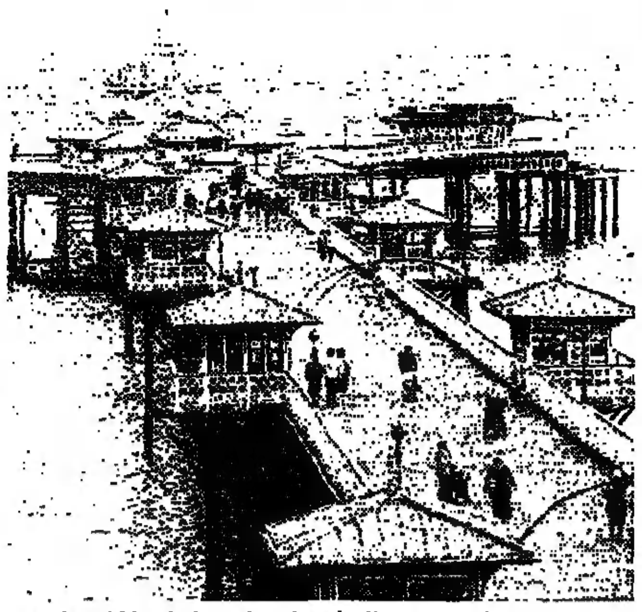
Mr Poole feels it is a "bit unfair" to say that Wales has lost out to Scotland. "We do not have the same instantly recognisable products as Scotland like whisky for example." But he admits that more should be done to attract foreign visitors.

Mr Jones goes further. He says that a lot more should be done to upgrade the tourist industry. "Nowhere here is on the international circuit except Chester and technically speaking that is in England. We should do more to promote ourselves, particularly in the US."

By the end of the century, Cardiff could have an opera house on the bay to rival any. Though its castle is not as majestic as Edinburgh's, it is well preserved but few people outside the principality know it is there.

Wales needs to get on the lucrative international circuit.

Stewart Dalby



The pier at Llandudno: short breaks if not upmarket

EBBW VALE GARDEN FESTIVAL

How green is the valley once known for its coal

WHERE THE steelworks sprawled listlessly over a scene of dereliction on the edge of Ebbw Vale in south-east Wales, some 800,000 trees and shrubs have been planted. The transformation is already amazing; by the time the Ebbw Vale Garden Festival opens on May 1 next year the greening of the valley will be complete.

Mr Robert Webb, chief executive of the festival company, has been cautious in his estimates of the number of visitors – Ebbw Vale is, after all, in a relatively remote, rural area – but he will be disappointed if there are not at least 2m for the five months of the festival.

A working farm and mountain railway, a greenhouse displaying exotic blooms from Singapore, a wetlands development sponsored by British Coal which has stumped up £300,000 in recognition of its historical links with the town, and overall supervision by Dutch horticultural designers are all evidence of the planning which has been put in.

Efforts have also been made to pack the festival with attractions beyond the 95-acre garden site itself. In what Mr Webb calls a series of "festivals within the festival", the site will host an American festival, a Keep Fit event and a Schools festival. Wales's singing traditions will be maintained by way of an exchange of choirs with Baden-Württemberg.

However successful the festival itself though, what matters is what comes afterwards when the tents and pavilions have made way for the permanent housing and commercial dwellings which, it is hoped, will rejuvenate an area of nearly 200 acres and bring new economic prosperity to the town.

Backed by the Welsh Office and the Welsh Development Agency, and with the support of Gwent County Council and the surrounding local authorities, Ebbw Vale expects to marshal £20m of public money for the redevelopment project. A similar sum is hoped for from the private sector by way of inward investment into the area and a residual £5m or so may come from selling assets left over from the festival.

For the moment, those two latter sums are just back-of-envelope guesses while a joint working party thrashes out the detailed after-use plan. But the prospects are promising, according to Mr Andy Fretter, assistant county planning officer for Gwent and a member of the working party.

Already, it is agreed that the bulk of the commercial part of the site should be redeveloped as a business park to attract a better class of business than has historically been associated with the valleys: more service industries including financial services. "Ebbw Vale is not going to attract TSB-type investment (as Newport on the M4 corridor has done)," says Mr Fretter. "But we know of others in the same sector looking for better-value-for-money premises, and one or two actively looking for valley locations."

Gwent is very active in the IT Wales Initiative which has attracted international computer majors such as Aiwa into the valleys. It will hope to build on that in Ebbw Vale.

"We also expect local industries to see it as a natural focus for expansion," says Mr Fretter. "Environmentally, it will be the most attractive site in South Wales with its mixture of landscaping, environmentally-sensitive housing, open space and business park. I am confident that it will all be developed within five years."

Care has been taken to match the enhancement of the immediate area with improved infrastructure and access to the town. Three months ago, the Welsh Office announced the upgrading to dual carriageway of the final stretch of the Heads of the Valleys road – the seven miles between Abergavenny and Ebbw Vale. That will take several years to complete but the last of the bottlenecks in the route down the valley, particularly round Cwm, will be eliminated in the next three years.

Thus, while Ebbw Vale's rural charm is to be maintained, the town will become easily accessible for all short of those needing full-scale motorway facilities.

Yet questionmarks still hang over the future of the town once the festival tents have been folded. Ebbw Vale's will be the fifth – and last – garden festival in Britain. Modelled on a European concept, they have not taken quite so well on British soil and the results of the previous four have been mixed.

At Stoke, for instance, the heavily industrialised nature of the town did not lend itself to an outstanding garden display. Yet the increase in inward investment since the end of its festival has been encouraging. Liverpool's less successful outcome may have been due to its size: possibly it was too large a city to benefit from the boost that a garden festival can bring, although Glasgow's town planners claim that their festival had a measurable effect on inward investment.

Gateshead, with its industrial past and immediate access to open countryside, may be the most comparable of the previous four, although Ebbw Vale does not have a large neighbour – Newcastle – looming over it. And, since Gateshead's festival has been judged a success if not a runaway hit, Ebbw Vale must hope that the similarities outweigh the differences between the two.

Christine Moir

Object lesson in Cardiff

FIVE YEARS ago, Techniquest was just an idea in the mind of John Beetlestone, then professor of science education at Cardiff's university college. Today, it is the second largest visitor attraction in the Welsh capital, bowing the knee only to the city's castle, writes Anthony Moreton.

Techniquest is a hands-on centre full of objects designed to illustrate scientific matters. Just inside the front door is a Bernouilli Blower in which a beach ball appears to be suspended in mid-air. It looks like gravity being defied; but Bernouilli devised the process 200 years ago and there is no trick. Air is pumped out at an angle and the ball is caught in the slipstream.

"Try it with your vacuum cleaner attachment and a table-tennis ball," Professor Beetlestone says. "The principle is the same whatever the mechanics of the operation."

Techniquest is full of such exhibits. Its aim is to "educate by stealth through leisure activities," he says.

Mr Beetlestone simply bubbles with enthusiasm as he moves from object to object. The idea behind Techniquest is nothing new. Hands-on centres were born in North America in the late 1960s, with Exploratorium at San Francisco and the Ontario Science Centre in Toronto. They are, however, relatively new to the UK.

Prof Richard Gregory's Exploratory in Bristol was the first in the UK, closely followed by Techniquest. There are now getting on for a dozen, including one in the Science Museum in London.

Techniquest is now attracting 114,000 visitors a year, many in school parties, and Prof Beetlestone has ambitious plans to move to larger premises. Others have responded to his enthusiasm, notably the Gatsby Charitable Foundation, David Sainsbury's personal trust, which put in an initial £83,000 and followed with a further £600,000. ASW, the Cardiff steel company, Associated British Ports, the Nuffield Foundation, Marks and Spencer and Cardiff Bay Development Corporation have all put up money. Now Shell has come forward with a £250,000 grant to allow Prof Beetlestone's team to see if ways can be found to present chemistry in the science centre.

"The trouble with chemistry," he says, "is that it is smelly, often needs heat and can sometimes be dangerous. If we could find a way to make it adaptable to the hands-on treatment all our pieces of equipment go through, it would be an enormous breakthrough in the understanding of this branch of science."

You come away with the feeling that if anyone can achieve that breakthrough it will be John Beetlestone.